



Leadership Board

Tuesday 17th November 2015 at 2.00 pm

Meeting to be held at Gateshead Civic Centre, Regent Road, Gateshead, NE8 1HH

www.northeastca.gov.uk

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To All Members

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North East Combined Authority

Leadership Board

DATE: 17th November 2015

SUBJECT: Thematic Lead Update Report

REPORT OF: Thematic Lead for Transport

EXECUTIVE SUMMARY

This report outlines details of major transport developments and announcements since the last update report was provided to the Leadership Board on 15th September.

RECOMMENDATIONS

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

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

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

2. **Transport for the North**

Background

- 2.1 The North East Combined Authority continues to play an active role in the Transport for the North (TfN) partnership, bringing together transport authorities from across the North to promote investment in key inter-city and inter-regional connections across the north of England. It is intended that TfN will become a statutory body by 2017 and the government have announced that they will propose amendments to the Cities and Local Government Devolution Bill to put this into effect.

Rail

- 2.2 TfN has made important but early progress towards achieving the rail objectives set out in the Northern Transport Strategy. The strategy recommended transformational improvements to journey times and service frequencies between key cities throughout the North of England. Network Rail and HS2 Ltd have been commissioned to investigate how these aspirations could be achieved, and whether utilising the consulted HS2 Phase 2 route would be feasible. Early work will focus on examining the existing infrastructure with a view to assessing whether it is capable of accommodating more, and faster, services.
- 2.3 Nexus officers, working on behalf of the NECA, will work closely alongside Network Rail, HS2 Ltd and TfN partners as options are developed. Outputs will inform the next Northern Transport Strategy publication in Spring 2016.

Road

- 2.4 TfN and Highways England have identified that investment in the A66 and/or A69 corridors could play an important part in resolving road congestion across the Pennines. A strategic study of the Northern Trans-Pennine corridor has therefore been commissioned which will explore the case for dualling the A69 and/or A66, with the aim of creating a new strategic link across the Pennines in northern England.
- 2.5 Consultants have been appointed to carry out the study, which will be completed by October 2016. However, an interim report will be available early next year to help inform the updated version of the Northern Transport Strategy due next spring. NECA officers attend the Programme Board for the study on behalf of TfN.

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Freight

- 2.6 TfN has made important progress in developing a freight strategy for the North, alongside its work on the road and rail network. A Northern Region Freight and Logistics Strategy has been commissioned, to report in March 2016, and a private sector reference group, including representatives from this region, has been established to ensure that businesses involved in the movement of goods can inform the strategy.
- 2.7 A stakeholder conference was held in early October, to seek industry views from across the North, with a representative from the North East Freight Partnership in attendance. NECA, in consultation with the Freight Partnership, are submitting a response to the study, outlining the measures we think are necessary to strengthen the freight and logistics sector in this region, and thereby to enhance the North East economy.

3. Transport Vision for the North East

- 3.1 As described to the September Board, the Combined Authority has agreed to produce a Transport Plan for the North East which will supersede the existing Local Transport Plans for Durham, Northumberland and Tyne and Wear.
- 3.2 The two-stage process for the production of this Plan will be
1. A Transport Manifesto setting out high level ambitions; followed by
 2. The Transport Plan – a comprehensive, statutory document
- 3.3 The latest version of the Manifesto, incorporating changes arising from the Members' Seminar on 4th September, is being taken to TNEC on 24th November with a recommendation that it should go to public consultation. Subject to TNEC Members' approval, this consultation will run for seven weeks from 1st December so the final version of the Manifesto can be approved by TNEC on 25th February 2016. A presentation about the Manifesto will be given to members of the Overview and Scrutiny Committee for consultation purposes on 1st December 2015.
- 3.4 As described to the September meeting of this Board, this also implies the following indicative timescale for the Transport Plan:
- February 2016 : produce final Transport Manifesto
 - May 2016 : produce first draft Transport Plan for public consultation
 - May to July 2016 : formal consultation on Transport Plan
 - August-September 2016: incorporate consultation feedback into Transport Plan
 - October 2016 : produce final version of the Transport Plan for the North East
- 3.5 Whilst the above process is under way, background work is being undertaken to develop an evidence base that will help inform production of the final Transport Plan.

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4. Local Growth Fund Transport Schemes

4.1 As previously reported to the Leadership Board, in 2014 it was announced that 15 highway and public transport schemes, plus a Local Sustainable Transport Fund (LSTF) Capital package, due to commence delivery in 2015/16, have been granted funding from the Local Growth Deal. Funding is only as yet confirmed for the 2015/16 scheme allocations, however a further announcement on future years funding is expected from Government later in 2015. Also as part of the deal, a provisional funding allocation has been made for five more transport projects starting in 2016/17.

4.2 As business cases for the various schemes are concluded, and subject to their undergoing satisfactory independent assessment, they will be brought forward to this Board or to the Transport North East Committee, depending on earlier prioritisation through the previous Local Transport Body, for final approval to release funding. A separate report on the agenda seeks approval to release funding for 3 projects, two of which are transport-related:

- Weetslade Roundabout and Corridor Improvements
- River Tyne Economic Development Project
- Lindisfarne Roundabout

5. Rail

5.1 Rail North

5.1.1 Bids for the Northern and TransPennine Express rail franchises are being evaluated by the Department for Transport, with Rail North jointly participating in quality scoring. The successful bidders for both franchises are expected to be announced in late 2015, with the new franchises starting on 1st April 2016.

5.2. North East Rail Management Arrangements

5.2.1 On behalf of the Combined Authority, Nexus officers have finalised a draft Collaboration Agreement to define the North East Rail Management Unit, which would include the Combined Authority as well as regional partners from the Tees Valley, Cumbria and North Yorkshire. A separate agenda item covers this subject in more detail.

5.3 Network Rail's Long Term Planning Process

5.3.1 As previously reported, Network Rail are conducting a series of planning exercises, called 'Route Studies', to determine where rail infrastructure investment is required and how this investment should be distributed. Nexus is participating in these studies on behalf of the Combined Authority.

5.3.2 Whilst the East Coast Main Line route study is in early development, progress on the North East England Route Study has indicated that capacity constraints exist in several locations in the Combined Authority and wider

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North East geography.

- 5.3.3 Nexus have asked Network Rail to outline the extent of these capacity constraints and identify potential solutions which may be required to accommodate additional local services throughout the region. Early indications suggest that service frequency improvements on the 'Durham Coast' route between Newcastle and Middlesbrough would require infrastructure interventions, possibly including station works to accommodate additional services.
- 5.3.4 Although not directly linked to the current planning process, it has been announced that the Trans-Pennine electrification project will resume. The project, which will deliver a fully electrified route between the North East and Liverpool, was put on 'pause' in June 2015 following the Office of Rail and Road's (ORR) annual review of Network Rail's performance. The upgrade works could be completed by 2022 and will deliver additional route capacity as well as journey time improvements.

6 Public Transport

6.1 Quality Contracts Scheme

- 6.1.1 A separate report on the Leadership Board agenda provides an update on the QCS proposal.

6.2 Metro

- 6.2.1 Metro played a key part in delivering successful Rugby World Cup matches in Newcastle over three days in October, dealing with large numbers of extra passengers and visitors to the region using additional train services. This was in contrast to a disappointingly poor performance on the day of the Great North Run, when there were unacceptable gaps between trains, delays and overcrowding as a result.
- 6.2.2 Nexus is investigating what went wrong in the planning and delivery of the event by operating concessionaire DB Regio and this will be the subject of a report to the Transport North East (Tyne and Wear) Sub-Committee on 24th November.
- 6.2.3 Overall Metro performance (punctuality and reliability) has shown improvement since the start of the year. It remains, however, well below the target set by Nexus for the operating concessionaire. Programmes to address fleet maintenance and customer service standards have had some impact and are continuing.
- 6.2.4 Nexus has launched 'click and collect' for online MetroSaver season ticket and student ticket sales, with customers able to pick up the next day at station validators and ticket machines using a Pop card. Almost 1,000 transactions have already been made in this way since July and this is expected to grow sharply in the coming months, reduced queues at ticket machines. This forms part of the wider roll-out of smart ticketing (see below).

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6.2.5 The Metro Asset Renewal Programme passed a milestone of £200 million invested in the system since 2010 in the first week of November.

The infographic in Appendix A highlights some of the infrastructure improvements and benefits to passengers and the environment that the programme has delivered.

6.3 Smart Travel

6.3.1 Passengers on the Tyne and Wear Metro are now able to enjoy 'pay as you go' smart travel using a Pop card, making the North East the first rail system outside London to offer a daily price cap. Cardholders get a discount compared to normal single and day fares on Metro – whilst a best price guarantee means people will pay no more than the price of a Daysaver for the zones they use, no matter how many journeys they make.

6.3.2 The North East is also now the first region outside London to offer multimodal pay as you go travel. Purple Pop cards can be used for travel on a growing number of bus routes across the North East and on the Shields Ferry, thanks to investment by local authorities through the North East Smart Ticketing Initiative (NESTI). The card can be used on numerous Arriva and Go North East bus routes, and a smaller number of Stanley Travel and Stagecoach routes.

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

7. Freight

7.1 The North East Freight Partnership, which covers all the authorities in the NECA area, has been continuing to progress its Fleet Operator Recognition Scheme (FORS), intended to promote good practice amongst operators in the area. The FORS Practitioner workshops organised by the Partnership aimed at fleet managers continue to be well-supported, with recent events almost fully subscribed.

7.2 The Partnership has recently resumed its series of Safe Urban Driving courses. Delivered in association with the GoSmarter programme, these workshops for lorry drivers involve a combination of classroom tuition and on-road cycle training and are aimed at encouraging greater awareness of good driving practices around vulnerable road users such as cyclists. These courses are also proving popular, with the most recent one being fully taken up.

8. Sustainable transport

8.1 Cycling

8.1.1 In the last report, we advised that the 4th edition of our popular suite of cycle maps have now been released, covering Gateshead, Newcastle, North Tyneside, South-East Northumberland, South Tyneside and Sunderland,

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with 10,000 copies produced for each district.

- 8.1.2 These free maps, which have been attractively re-designed for 2015, have been widely distributed via a range of channels, including major employers, Tyne and Wear Fire Service, cycle retail outlets and events organised by the GoSmarter team, with very positive feedback from the public.

8.2 **Low-Carbon Vehicles**

8.2.1 Go Ultra Low City Scheme

The NECA's bid to the Office for Low Emission Vehicles (OLEV's) Go Ultra Low City Scheme, setting out an ambitious strategy for increasing the uptake of Ultra Low Emission Vehicles across the region, was submitted on the deadline date of 2nd October 2015. It is expected that details of successful bidders will be announced before the end of 2015.

8.2.2 Ultra-Low Emission Vehicle Taxi Scheme

NECA's Regional Transport Team is currently engaging with Taxi Licencing and Environmental Health Departments across the area to investigate the scope for a locally funded feasibility study to underpin a possible bid to OLEV. A further update on whether this has been progressed will be made to the January 2016 meeting of this Board. Final bids would need to be submitted by early March 2016.

9. **Digital Connectivity Update**

9.1 **Introduction**

- 9.1.1 This report provides an update on activity across the Combined Authority area in respect of our commitment to enhance digital connectivity for economic growth.

9.2 **Background**

- 9.2.1 North East priorities for digital connectivity seek to ensure that the region is competitive, and that our businesses and communities can benefit from economic opportunities. Our approach is based around the following key areas:

- Supporting the development of digital skills and facilitating take-up
- Delivering hard infrastructure where it is needed
- Delivering superfast broadband
- Supporting business needs and improving digital inclusion

- 9.2.2 The region has considerable strengths in this area, and in recent years has seen more new technology company start-ups than any area of the UK outside of London. The North East has emerged as one of the leading centres for digital games development and start-ups, with dynamic clusters that act as a magnet for entrepreneurs and students.

- 9.2.3 Business and residents have expectations for digital connectivity that are comparable to the most advanced cities in the world. It is vital that we are

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ambitious in our approaches and meet these expectations now and in the future. Digital is an evolving agenda and we must strive to be at the forefront of this agenda for future economic success.

9.3 **Current Activity**

9.3.1 The Digital Leads group is developing a work programme to accelerate progress. This is focused on:

- Achieving vision and future ambition
- Delivery of infrastructure
- Digital Skills and increasing take-up.

9.3.2 The North East Devolution Deal will enable progress through delivery of the following commitments:

- Government and the Combined Authority will agree a joint programme to create the right environment to drive the commercial rollout of ultrafast broadband following successful testing and to ensure 4G services are available to at least 95% of the North East's population. In addition, the Combined Authority will work with businesses and universities in the North East to develop applications for 5G technology.
- Government will support NECA to reinvest funds into creative solutions to supply superfast broadband to remaining premises

9.3.3 Other areas of the work programme are being aligned to existing activity and resource as far as possible. This includes:

- Aiming to establish Code Clubs and / or Maker Spaces in all primary schools
- Enabling businesses to exploit digital technologies, particularly where they are not doing so (working with the Growth Hub)
- Encouraging a business-led approach, engaging with private sector partners through network organisations such as Dynamo
- Supporting 'Digital Champions' to meet the needs of their communities

9.3.4 Work is also taking place to assess the potential scope and capacity requirements for future activity that reflects our high levels of ambition. This includes:

- Providing a co-ordinated package of Business Support
- Increasing Digital Inclusion (including potential to use the existing network to improve connectivity in areas with low levels of access – working with the private sector)
- Joining up regional centres (particularly for major employment sites and universities) and Options for European and Transatlantic connectivity that support exports
- Opening up fibre attached to existing networks
- Supporting Smart Specialisation

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10. Next Steps

- 10.1 The North East Combined Authority will continue to work with funding bodies, transport operators and delivery partners to secure a modern, sustainable and efficient transport network. Work will continue on developing the Transport Plan for the North East.

11. Potential Impact on Objectives

- 11.1 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.

12. Finance and Other Resources

- 12.1 In respect of the Local Growth Fund transport programme, the completion of Business Cases will identify any variations in costs and funding which will need to be managed within available resources and may require decisions to be made about compensating savings elsewhere within the programme. These programme management issues will be considered by TNEC, with recommendations made to NELEP and the Leadership Board for decision.

13. Legal

- 13.1 There are no specific legal implications arising from this report. Where there are references to matters under consideration elsewhere on the Agenda, the legal implications are considered within the report for that Agenda Item.

14. Other Considerations

14.1 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.

14.2 Human Rights

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

14.3 Equalities and Diversity

There are no specific equalities and diversity implications arising from this

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report.

14.4 Risk Management

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

14.5 Crime and Disorder

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

14.6 Environment and Sustainability

Delivery of the various rail, cycling and public transport measures listed in this report should assist in meeting our objectives for a more sustainable transport system and improved air quality.

15. Background Documents

None.

16. Links to Plans in the Policy Framework

This report has no direct link to plans in the policy framework.

17. Appendices

Appendix A - Infographic depicting some of the achievements of the Metro "All Change" modernisation programme.

18. Contact Officers

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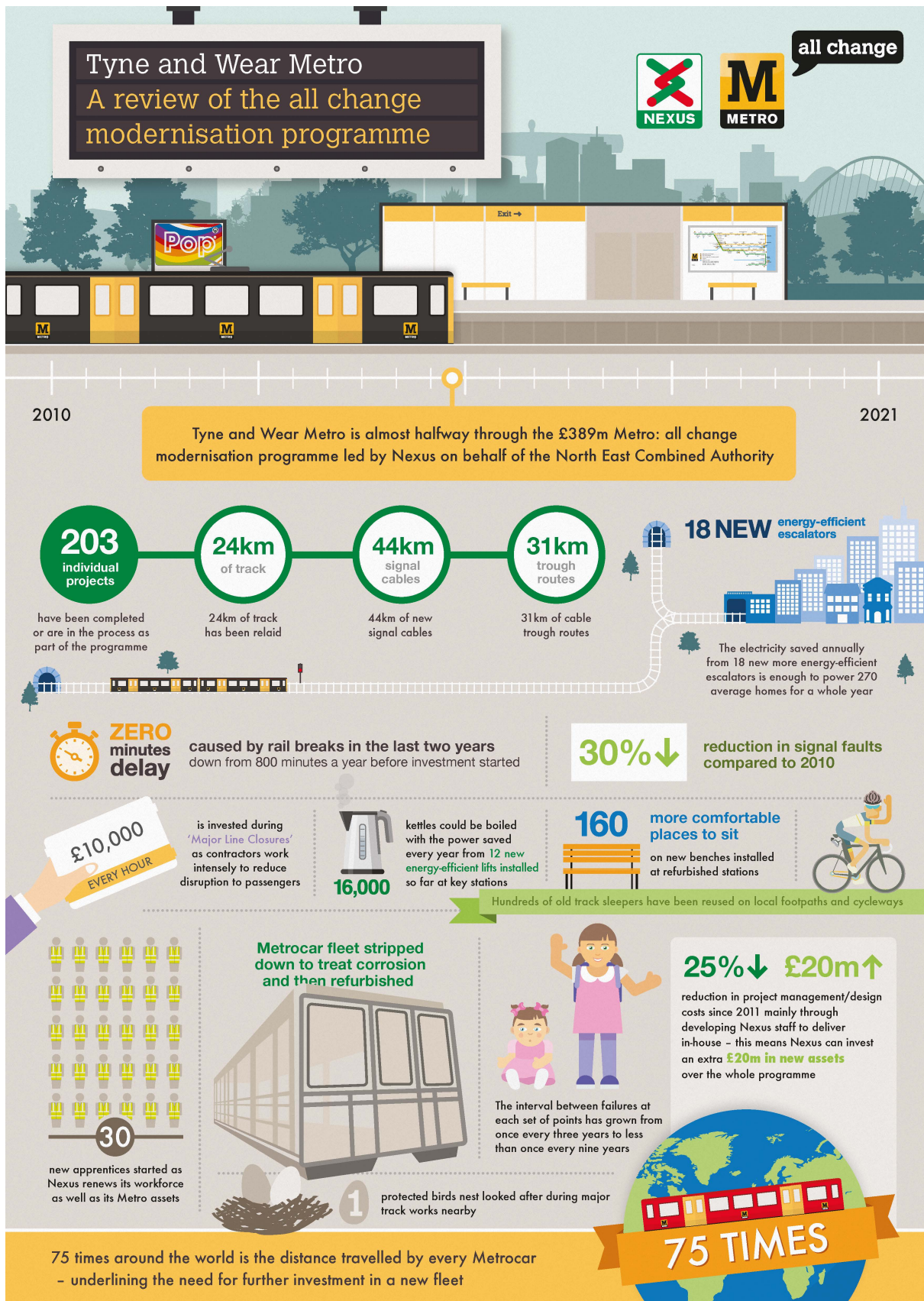
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19. **Sign off**
 Head of Paid Service ✓
 Monitoring Officer ✓
 Chief Finance Officer ✓



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DATE: 17th November 2015

SUBJECT: Draft Budget 2016/17 and Transport Levies

REPORT OF: Head of Paid Service and Chief Finance Officer

1 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to set out the key budget issues, principles and proposals that are likely to be included in the 2016/17 Budget Report for the North East Combined Authority (NECA) for consideration by the Leadership Board on 19th January 2016. Identifying them in this report forms the basis for consultation on NECA's Budget, as required in its constitution. Not all of the information needed to complete the budget is currently available, in particular the details of Government grant funding, which will be announced after the Spending Review on 25th November and possibly as late as 16th December.
- 1.2 The financial and governance implications associated with the devolution agreement will also impact positively on the Budgets in future years, particularly in relation to the responsibilities of NECA and NELEP and any elected Mayor. The budgets for 2016/17 and 2017/18 will need to be set before the results of any mayoral election are known. The formal confirmation of the Devolution Agreement and any additional funding for 2016/17 is due to take place early in the New Year, probably before the end of March, although the date is not yet clear.
- 1.3 Further information about the detailed content of the budget is currently being developed, including information still to be announced or confirmed about grant funding and its proposed uses. As further information becomes available it will be included in future reports, including information provided to Overview and Scrutiny Committee. The more detailed information, once available, will be reflected in the January report or reports in March and future meetings of the Leadership Board as funding is confirmed and spending can be agreed, taking into account comments that emerge from consultation.
- 1.4 This is the second formal Budget process that has been undertaken since the Combined Authority was established in April 2014. NECA is required by law to set its Revenue Budget and Transport levies for 2016/17 by 15th February 2016 at the latest. It is also necessary to agree the level of any contributions from constituent councils towards non-transport costs, so that the councils can take the levies and contributions into account in setting their own budgets for 2016/17.

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- 1.5 It has been agreed that the Leadership Board will set the Base Revenue Budget, Initial Capital Programme and levies at its scheduled meeting on 19th January 2016. This will provide the information about levies and contributions to the NECA budget in good time for the seven constituent councils to include it within their budgets. As additional revenue and capital funding for 2016/17 and future years is confirmed, the Leadership Board can agree revisions to its Revenue and Capital Budget at its future meetings, in particular a special meeting in March will be able to agree additional spending funded by additional resources, giving time to consult on detailed proposals.
- 1.6 This budget report sets out the indicative level of resources planned to be used in 2016/17 to help deliver the Objectives of NECA and the North East Strategic Economic Plan. It is a policy led budget, which has also to be set in the context of the national position of austerity, which is expected to require further significant savings to be achieved in local authority revenue spending over the next four years; as well as reflecting the potential new capital funding opportunities presented by the devolution agenda.
- 1.7 In the current year additional funding is needed in order to provide the internal and external capacity to progress the various work streams related to the Devolution agenda, including work relating to the Health and Social Care Commission and public service integration. It is proposed that a budget of up to £0.5m be established for this purpose, with any release of the funding for specific proposals to be agreed under the delegated decision making process, with further details to be reported in the January Budget Report.
- 1.8 At this point it is envisaged that –
- Capital investment in transport, infrastructure and economic development appears likely to increase significantly in 2016/17, potentially by £25m in respect of Local Growth funded schemes if the indicative grant allocation is agreed in full, plus up to £30m in the event of a devolution deal being agreed, and the first year of an £89m investment programme in the event that our latest Enterprise Zone bid is agreed. The capital programme report in January will include known projects and funding allocations. We expect that more detail of projects to be funded from the Strategic Investment fund will be included in a report in March and future months. Tyne and Wear Sub-Committee will be considering the proposed Metro Asset Renewal Programme, which currently attracts 90% grant funding from DfT;
 - The budget could potentially include additional funding for investment in employability and skills, partly funded from successful bidding and alignment of funds with c£180m of European Social Funding (ESF) to be available from

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2015 to 2020; and investment into innovation, SME competitiveness and the low carbon agenda through successful bidding and alignment of funds with European Regional and Development Funds (ERDF) of c£200m;

- The provisional Transport Revenue Budget and Levies for 2016/17 are estimated to be almost £86.7m, which is a cash reduction of -£2.5m (-2.9%) compared with the current year, to be delivered mainly through efficiency savings and use of reserves while reductions in discretionary transport budgets and services are explored for consultation in 2016 for implementation from 2017; and
- The only significant fees or charges to be set by the NECA as part of the 2016/17 budget relate to Metro Fares, where an increase in line with RPI inflation is envisaged for implementation on 2 January 2016. Tyne and Wear Sub-Committee will consider options about the price of the Gold Card and child fare concessions at its November meeting and their recommendations will be reflected in the consultation document; and the increase in the Tyne Tunnel Tolls, which were due to be increased in January 2016 to be maintained in real terms since they were last set in 2013, will be now considered for implementation in April 2016.

2 RECOMMENDATIONS

2.1 It is recommended that the Leadership Board –

- a) receive this report for consideration and comment;
- b) agree the budget approach of setting out a detailed budget for 2016/17 as another transitional year, while seeking to develop a medium term financial plan during 2016, which will take into account the outcome of the additional funding secured through the devolution agreement as well as any austerity savings required to be made;
- c) agree that the following points and proposals form the basis of consultation about the NECA 2016/17 Budget : -
 1. The Revenue Budget and Capital Investment Programme of the NECA and NELEP will be developed to deliver the Strategic Objectives of NECA and the Objectives set out in the Strategic Economic Plan, as highlighted in Section 3 of this report;
 2. Resources will be identified and secured to support the capacity of the NECA and NELEP to secure the resources and deliver the actions needed

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to deliver the SEP strategic objectives. Councils' current funding contributions will be maintained at least at their current level, and the intention is that additional capacity that is required both in 2015/16 and future years, will be funded from additional external funding, including additional devolution funding; interest on cash balances; savings on existing budgets; and reserves, where this is possible:

3. The Transport Budget and Levy for Tyne and Wear is indicatively proposed to be set at £65.12m, which is a reduction of £2.08m (-3.1%) from the 2015/16 levy, achieved by efficiency and other cost savings and use of reserves in 2016/17 and reductions in discretionary transport budgets and services from 2017. This reduction is subject to there being no significant cuts to the Revenue grants received by Nexus from DfT. If the Metro Rail Grant is subject to a reduction in the spending review, the impact of this and any alternative savings options will need to be considered in setting the Budget and Levy in January;
4. If the Tyne and Wear Levy is reduced by £2.08m, the grant to Nexus funded by the levy is proposed to be £62.5m, a saving of £2.0m (-3.1%) achieved from efficiency savings and use of reserves next year and potentially by cuts in discretionary transport services from 2017, with a saving of £0.080m in the NECA Tyne and Wear transport budget;
5. The impact of the cuts in Government Funding to Nexus and constituent councils; as well as options for delivering the Bus Strategy will be taken into account in a Strategic Review of all discretionary expenditure during the first half of 2016 to form the basis of a consultation on any proposals for services needed from 2017/18 onwards. This will have regard to the relative strategic priority of transport services and other services provided by councils;
6. The indicative Transport Budget and Levy for Durham County area is £15.342m, which is a reduction of £0.735m (-4.6%) on the original budget for 2015/16. This reduction is due to anticipated reduced payments to bus companies for Concessionary Fares (£0.166m), planned cost savings primarily on subsidised bus services (£0.441m) and general budget realignment (£0.128m);
7. The indicative Transport Budget and Levy for Northumberland County area is likely to be around £6.159m, which is an increase of £0.258m (4.3%) on the original budget for 2015/16. This is due mainly to increased

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costs of concessionary travel and the reinstatement of a proposed saving to the Scheme following an audit of the use of disabled passes;

8. Proposals for the uplift in Metro fares to cover inflation cost pressures have been developed to constrain the average increase that does not exceed the July 2015 RPI inflation index. Proposals are being considered by the Tyne and Wear Sub-committee at its November meeting in relation to the price of the Gold Card and children fares. An increase in the Tyne Tunnel Tolls to maintain the level of the tolls in real terms and minimise the annual deficit on the Tunnels account, will be delayed from 1 January to April or June 2016;
 9. The detailed budget report in January will include the outcome of consideration of the level of resources needed to provide capacity to deliver the objectives of NECA. At this stage it is envisaged that current contributions from constituent councils (Corporate costs (£300,000), Inward Investment (£140,000) and LEP Match funding (£250,000)) will be maintained at this level; with any additional expenditure in these areas funded by increases in other funding, budget savings and additional interest on revenue balances/cash flow. This additional funding, including the additional funding for Inward Investment Activities will be the subject of the Budget report in March 2016; and
 10. NECA will need to set out a balanced budget for 2016/17, maintaining a sufficient but minimal level of reserves to manage risk and will set out a treasury management strategy for borrowing and lending which will comply with the Prudential Code;
- d) Agree that a narrative document be prepared from the content of this report and the comments and decisions of the Leadership Board, which will set out the budget proposals in an appropriate format for consultation; and
 - e) Agree that a budget provision of up to £0.5m be established to be available in the current year in order to progress urgent activity related to the Devolution agreement work streams. The funding to be found from temporary use of reserves, interest on cash balances and any savings on budgets in the current year.

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3 THE POLICY CONTEXT

- 3.1 The Leadership Board have made clear the importance of a policy led budget, within the context of the national programme of austerity measures, to underpin the delivery of the NECA's policy priorities including the delivery of the Strategic Economic Plan.
- 3.2 The capital and revenue resources of the Combined Authority and the NELEP will be targeted to achieve the priorities set out in the Strategic Economic Plan (SEP) and the Transport Levies that the Combined Authority will set will help meet the statutory transport responsibilities of the Combined Authority, which can also contribute to priorities in the SEP.
- 3.3 The Combined Authority has agreed three broad Policy priority areas –
- **Transport**
 - **Employability and Inclusion**
 - **Economic Development and Regeneration**

The proposed Devolution agreement with Government, signed by the Combined Authority Leadership Board on 23 October, brings a radical devolution of funding, powers and responsibilities for employment and skills, transport, housing, planning, business support and investment from central government to the North East. The proposed agreement builds on the ambitions set out in the North East Strategic Economic Plan.

- 3.4 The North East Strategic Economic Plan which was published in April 2014 is focused on delivering 'More and Better Jobs'. It identifies six strategic themes aimed at addressing the challenges facing the area and delivering the objectives of the SEP. These strategic themes are –
1. **Innovation:** central to the ambition of better jobs and a more competitive business base, delivering medium term benefits as managers invest in new products, processes, markets and technologies supported by an ambitious open innovation system.
 2. **Business support and access to finance:** the key driver for more jobs and a strong private sector, addressing market failures to support a stronger indigenous businesses, with better access to finance, and able to progress expansion plans in national and international markets.
 3. **Skills:** providing a demand led system, reflecting the need of employers, including for high level skills in support of better jobs, with access to high quality training facilities for both general and specialist training.
 4. **Inclusion:** central to ensuring no one is left behind, providing targeted and tailored support to neighbourhoods and groups facing major challenges in accessing training and employment opportunities, which let everyone fully share in the benefits of a growing economy.

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5. **Economic assets and infrastructure:** developing the places for business to invest and people to live, developing new opportunities with towns and cities, coast and country, and heritage assets.
 6. **Transport and digital connectivity:** which serves and connects people and businesses, letting people move around for both work and leisure, and connecting the North East to the national and international economy.
- 3.5 The Revenue Budget and Capital Investment Programme of NECA will contribute to the achievement of these objectives, as illustrated below.
- 3.5.1 It is vital that the local resources available are used to best effect on projects that make a demonstrable contribution to economic growth in the region within the context of an agreed plan and that opportunities to increase the level of available funding are explored and developed further to maximise the opportunities of future funding bids. It is therefore important that the governance arrangements established to make decisions on resource allocation are able to properly reflect the priorities of local people and businesses.
- 3.5.2 The establishment of a Strategic Investment Fund is a critical element to co-ordinate and make best use of the resources available. The proposed Devolution agreement would add £30m a year into the Strategic Investment Fund, which would also be increased by a successful Enterprise Zone bid that can fund the necessary interventions from retained business rate growth; and any additional Local Growth Funding grant. This will be the subject of future reports, with an update on available funding in the January Report and approval of specific projects being considered by the Leadership Board once funding is confirmed in future reports from March 2016 onwards.

European Funding

- 3.5.3 The proposed Devolution agreement states that the Government will delegate to the North East Combined Authority project selection powers for the European Regional Development Fund and the European Social Fund. The Combined Authority will be granted Intermediate Body status to deliver these delegated powers. This will allow the North East to integrate and align investments with other aspects of the devolution deal, to select projects for investment, to improve performance and maximise economic impact. The Government will work with the Combined Authority to agree the detail of this delegation and, subject to agreement; it is expected to begin from April 2016.
- 3.5.4 A key action will be the creation of the capacity needed to undertake the European Funding activity including any new responsibilities for European funding. The current activity, which is supported by the LEP executive team, will need to be expanded. The cost of this capacity is expected to be met from LEP core budgets, European Technical Assistance funding and in-kind secondment(s). There is the potential need for matching funding and this will need to be identified as part of the budget process.

3.6 Innovation Theme

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- 3.6.1 In the context of the Adonis Review challenge to develop the North East as “*an exemplar of smart specialization and open innovation systems and practice*”, and significant evidence work to understand our innovation assets and challenges, the SEP sets out a strategic approach to investment of Local Growth Fund (LGF), European Structural and Investment Fund (ESIF) and other resources to facilitate effective innovation activity.
- 3.6.2 It prioritises investment into building innovation leadership, developing the effectiveness of our hubs and networks and delivering strategic investment to foster innovative businesses, clusters and a wider innovation culture. Within the Innovation Theme the following specific projects investment are planned for 2015/16 and 2016/17:

Local Growth Fund

Project	Total value	2015/16	2016/17
Centre for Innovation in Formulation, led by the Centre for Process Innovation (CPI), based at NetPark	£7.4 m	£0.82 m	£4.65m
Low Carbon Energy centre, to be based at Newcastle Science City	£5.6 m	£0.44m	£2.36m
Newcastle Life Sciences Incubation Hub to be based at Newcastle University	£5.6 m	£0.35m	£4.50m
NETPark Infrastructure Phase 3	£6.8 m	£0.31m	£2.11m
Sunderland Enterprise and Innovation Hub, to be hosted at Sunderland University	£3.5 m	£2.00m	£1.77m

- 3.6.3 Innovation activities will be also supported from other key programmes in the SEP/ESIF through liaison with other theme leads - including from:
- Business support targeting innovation support to NE businesses
 - Access to finance, in particular the funds planned within Jeremie 2 for Proof of concept and prototyping
 - Low Carbon Innovation projects in areas like energy and low carbon vehicles
 - High level skills

3.7 Business Support Theme

Aims

- 3.7.1 The Business Support and Access to Finance Programme will, through the work of the NELEP, the Combined Authority and their partners, support a dynamic and entrepreneurial Combined Authority area in which businesses and individuals have the ambition and confidence to develop and grow.
- 3.7.2 The programme is intended to be delivered in the short and medium term through its three inter-related intervention areas. Each intervention area has its own programme management and governance arrangements. These arrangements need to link effectively with each other. They also need to link

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with the programme management approach for the Innovation and Skills Programmes.

The Programme

3.7.3 The programme has three strategic priorities for investing in and growing our businesses:

1. **Access to finance:** Increasing GVA and employment in North East businesses through the provision of a high-quality, demand-led business development programme. Through this component, the NELEP, the Combined Authority and partners will ensure the right mix of financial products is available to support business formation and growth, generating additional employment and GVA in the Combined Authority area.
2. **Business Support:** Ensuring North East businesses have access to finance necessary to support their growth and expansion plans. Through this component, the programme will support business growth and increase entrepreneurial activity by providing businesses in the Combined Authority area with those services that enable them to improve productivity and increase employment and trade
3. **Trade & Tourism:** Increasing the economic benefits from external markets through exports and tourism. The programme will increase the number of businesses exporting and the North East's presence in key international markets.

Interventions and Projects

3.7.4 Within the North East LEP Business Support Programme, the following specific interventions and projects are planned for commissioning or delivery in 2015/16:

Local Growth Fund

Project	Total value	2015/16 Investment
North East Growth Hub	£0.5m	£0.5m

European Regional Development Fund (ERDF) and European Agricultural Fund for Rural Development (EAFRD)

3.7.5 In addition to the LGF Growth Hub award, the Business Support and Access to Finance theme programme is being developed and relies heavily on successful bidding for European Funding for delivery. Key projects for ERDF include Access to Finance from SMEs to support growth and innovation and coordinated business support. Key projects for EAFRD focus on tourism, market towns and the rural growth network.

Trade & Tourism

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3.7.6 Whilst the trade element of the Business Support Programme is reasonably well defined, further work is underway to identify how best to promote our key regional assets.

Inter-relations with other SEP Programmes

3.7.7 Business support activities will be also supported from other key programmes in the SEP/ESIF including from:

- Innovation support providing specific business support for NE businesses, particularly through activities to support bringing new products and business processes to the market and including development of incubation space (through ERDF).
- Support for Low Carbon and Sustainability projects which increase the role of the low carbon energy economy and energy generation sector, including programmes to support business energy efficiency, low carbon supply chains, resilience and renewable energy generation (all through ERDF).
- Support for intermediate, technical and high level skills (all through ESF) and including specific activities for start-up, entrepreneurship and self-employment.
- Enterprise Advisers, to be funded through the Local Growth Fund.
- Inward investment support provided by the local authorities, UKTI and coordinated through the Combined Authority.
- Programmes of employability and skills improvements to overcome barriers which prevent access to the labour market (all through the European Social Fund (ESF)).

3.7.8 Liaison between the Business Support Board and the Innovation, Skills and Employability and Inclusion Programmes (governance structures and executive support) is ongoing to ensure that the provision through these programmes is appropriate, joined up where necessary and contributes to SEP Business Support objectives.

3.8 Skills Theme

Aims

3.8.1 The Skills Theme aims to shift the skills market in the North East towards higher skill levels and greater demand for higher skills, with an emphasis on economic demand, be it existing employer needs, projected shortages, or new skills sets for emerging opportunities, and to create a landscape where companies (and individuals), realise the benefits of training and see the returns on their investment. The main objective of the programme is to deliver an investment plan against three key priority areas for Skills:

1. Oversee and influence investment in skills supply and demand to enable the skills system to deliver better economic outcomes. Establish clear, evidenced based policy priorities for investment and action on skills. The main activities for the NELEP will be to:
 - Create and implement the investment framework for £113m of ESF, manage a complex set of Opt-in arrangements and commissioning

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routes for the skills programme. Direct and secure other resources to core priorities, e.g. Higher Education Funding Council for England (HEFCE), private sector.

- Use the Skills pilot to shift provision funded through the National Adult Skills Budget to deliver more economically focussed outcomes for learners in the north east. Improve performance management of delivery of mainstream skills provision in the Area.
 - Direct working with employer groups and provider base to better link supply and demand and enable improved responsiveness to investment opportunities, in particular the increasing number of opportunities arising from the Skills Funding Agency (SFA).
2. Focus on Young people – deliver a North East Education Challenge to improve educational outcome and school quality. Deliver a programme of Enterprise advisers as an early adopter area for national policy.
 3. Skills Capital – Ensure high quality training facilities which help engage employers and learners are available to support a higher skilled workforce. On-going programme management of the LGF investment in the skills capital programme for the North East. Support the appraisal process for the 5 shortlisted skills capital projects and ensure a robust pipeline for slippage and future funding.

The Programme

3.8.2 The headlines to the Skills Programme in 2016/17 will be:

- Education Challenge
- Skills Pilot
- Deliver the LGF capital programme
- Enterprise Advisers Scheme

Project Title	Total project cost (£m)	LGF 2015/16 (£m)	LGF 2016/17 (£m)
Tyne Met College - STEM and Innovation Centre	1.20	1.00	-
Facilities for Marine and Offshore Engineering, South Tyneside College	3.35	1.10	-
Rural Skills Development, East Durham College	11.11	9.32	0.68
Port of Blyth Offshore and Wind Energy Training Facility (BEACH)	1.20	0.40	-

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- 3.9.1 Over the next year, the investment in Employability and Inclusion will be based on the roll-out of the initial phase of the next round of European Social Fund (ESF). This funding will:
- Provide additional and more intensive support to help people to develop the skills needed to move towards work, enter work (including self-employment), and to progress in work
 - Help older workers, workless people and those facing redundancy to upgrade their skills, learn new skills or retrain to enter, re-enter or stay engaged with the labour market and adapt to new market conditions including through targeted apprenticeships linked to economic opportunities
 - Support activities to reduce the number of young people not in employment, education or training and those at risk of disengaging and embed opportunities to raise ambition
 - Support activities to tackle the multiple barriers faced in a holistic and integrated way to avoid problems becoming entrenched through specific targeted interventions
 - Targeted activities to support bottom-up social inclusion through community focused actions in particular geographic locations with high levels of deprivation, poverty and exclusion
 - Targeted activities for those with protected characteristics and from specific communities who face multiple barriers and facing high levels of exclusion from opportunities and/or poverty
- 3.9.2 As part of this initial phase, up to £1.7 million will be released to support the delivery of the Mental Health Trailblazer. Announced as part of the North East Growth Deal, the trailblazer will work with Government to design and develop mental health and employment integration to inform future national and local support for people with mental health conditions. This represents a significant opportunity for NECA to demonstrate its capacity and capability to work in new ways with the Government and develop an initial platform of devolved powers.
- 3.9.3 Another strategic priority is to ensure that young people are equipped and qualified to access the opportunities which will be available in a successful modern economy. To this end, NECA is coordinating the North East Youth Contract. Five of the local authorities within the Combined Authority successfully secured £4.5 million from the Government's Youth Contract programme. This resource is being used to launch a high-profile campaign to encourage employers to provide a chance for young people to succeed; provide employers with dedicated advisers to help simplify the process of recruiting young people; developing a new and shared "Young People's Commitment" that will provide a clear offer of support to all young people who are unemployed or NEET for 3 months, in return for their commitment to fully engage with the scheme; and strengthening the network of Employment Advisers and Peer Mentors for those young people with the greatest needs.

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3.10 Economic assets and infrastructure

3.10.1 Local authorities are continuing to invest resources in a variety of infrastructure projects that are essential if the region and its businesses are able to compete in an increasingly competitive global environment. Recently, significant resources have been applied to key developments across the region including the Enterprise Zones in Northumberland, Sunderland and on Tyneside all of which have attracted interest and investment from private sector users.

3.10.2 Significant additional infrastructure funding will be secured through the Devolution agreement and from the results of our bid for additional Enterprise Zones, which should be announced this month, as well as future bids for Local Growth Fund and other funding opportunities. It is important that we progress the development of project pipelines working with other authorities and with private sector partners towards the development of a strategic investment plan for the region. The aim will be to develop a plan that shows how resources will be used to build on the opportunities to grow the economy and demonstrate a clear alignment between the different planned investments including those associated with transport, economic development and business growth; housing and energy and digital infrastructure.

3.10.3 The Growth Deal announced last year included substantial infrastructure funding from 2015/16 and 2016/17. This will be considerably enhanced by the funding secured from the proposed Devolution deal; which included an opportunity to bid for a five year Local Growth Funding package; as well as potential new enterprise zones as part of the current bidding round, which is due to be announced shortly.

3.10.4 Government funding schemes and other programmed investments by government agencies continue to play a crucial role in supporting the efforts of local public and private sector partners to provide the environment in which businesses are able to grow and create the jobs needed in the local economy. The successful Growth Deal bid announced in July allocated a total of £298.3 to support economic growth in the region, including £24m towards three strategically important economic infrastructure projects that will enable the region to build on the opportunities such as those presented by Hitachi's investment in Newton Aycliffe and £28.9m towards five infrastructure developments that will support the growth of innovation in the region (listed in the table associated with paragraph 3.6.2 above).

Local Growth Fund (LGF) Projects

Project Title	Total Cost	LGF 2015/16	LGF 2016/17
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	(£m)	(£m)	(£m)
Swans Wet Berth Infilling	18.00	0.40	6.10
Infrastructure for Merchant Park	13.00	8.36	1.64
North East Rural Growth Network	22.50	1.75	2.14
Totals	53.50	10.51	9.88

3.10.5 The new European Structural and Investment Fund programme with an estimated £380m available over the programme period (2014-2020) will also provide resources that can be used to co-fund investment in the region's economic infrastructure, particularly that associated with the low carbon sector as well as strategic sites and premises for SMEs, and to support the wide policy programme of the SEP. An element of match funding for ESI funds will be required from other funds. A proposal to use European resources as a platform for a capital investment fund (building on the JESSICA model) supported by the European Investment Bank and private investors represents a significant potential opportunity for the future.

3.10.6 It is vital that the local resources available are used to best effect on projects that make a demonstrable contribution to economic growth in the region within the context of an agreed plan and that opportunities to increase the level of available funding are explored and developed further to maximise the opportunities of future funding bids. It is therefore important that the governance arrangements established to make decisions on resource allocation are able to properly reflect the priorities of local people and businesses.

3.10.7 The establishment of a Strategic Investment Fund is a critical element to co-ordinate and make best use of the resources available. This will be the subject of future reports, with an update on available funding in the January Report, with approval of specific projects being considered by the Leadership Board once funding is confirmed in future reports from March 2016 onwards.

3.11 Transport and Digital Connectivity

3.11.1 Excellent transport links are fundamental to the economy of the North East Combined Authority area. The importance of transport connectivity is highlighted in the North East Local Enterprise Partnership's Strategic Economic Plan (SEP) as a crucial element in our growth agenda, helping to close the gap in the employment rate with other regions of England, link people to jobs and key services and enable businesses to move their goods quickly and efficiently.

3.11.2 The Combined Authority has a duty to ensure good public transport provision. Public transport plays an essential role in connecting people to jobs and key services. Promoting the use of more efficient modes of public transport also facilitates sustainable growth. Public transport accessibility in the north east is

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generally good. However, better connections to key employment sites from areas of deprivation and improved fares and ticketing options are required.

- 3.11.3 Nexus, the Tyne and Wear Passenger Transport Executive, along with Durham and Northumberland county councils aim to improve quality of life by creating better public transport networks. Nexus is currently pursuing three major programmes; the Bus Strategy, smart ticketing and Metro: all change.
- 3.11.4 The Combined Authority also has a key role to play in encouraging investment in our wider transport infrastructure. In addition to advocacy for a transatlantic connection from Newcastle International Airport Limited and close working with the Highways Agency and Network Rail to encourage further investment in our strategic road and rail networks a focused package of investment on local networks to facilitate further investment by government in our national infrastructure is a key component of our Strategic Economic Plan.
- 3.11.5 The transport proposals in the North East SEP contain investment for both the A1 and A19 corridors, with packages designed to complement existing investment such as the current A1 Western Bypass Lobley Hill to Coalhouse junction scheme, and to facilitate improvements to important trunk road junctions, such as the A19 at Testos and Silverlink.

Growth Deal Transport Projects

Project Title	Total project cost (£m)	LGF Total	LGF 2015/16 (£m)	LGF 2016/17 (£m)
A19/A194/A1300 Lindisfarne Roundabout	4.00	3.48	0.72	2.76
Central Metro Refurbishment	7.88	2.51	2.51	0.00
Northern Access Corridor - Osborne Road to Haddrick's Mill	17.93	4.43	0.50	3.93
Local Sustainable Transport Fund Package	7.52	7.50	3.80	3.70
A19 employment corridor access improvements (North Tyne)	4.70	4.70	0.70	2.20
A191 junctions including Coach Lane and Tyne View Park	1.50	1.50	0.80	0.70
Newcastle Central Station to Stephenson Quarter	10.00	6.00	1.00	3.00
A1056-A189 Weetslade roundabout improvements and A1-A19 link (A1056)	4.80	4.33	0.68	1.40
Six Majors - South Shields Transport Hub	13.60	6.90	1.60	4.83
Six Majors - Sunderland Low Carbon Zone	13.50	5.95	2.80	3.20
Six Majors - A1058 Coast Road	7.20	6.52	4.04	2.48
Six Majors - A167 Park and Ride corridor	7.46	4.99	0.00	4.09
Six Majors - Northern Access Corridor (Cowgate to Osborne Rd)	8.10	4.09	2.00	2.09
Six Majors - Horden Rail Station	7.10	3.34	0.00	3.34

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- 3.11.6 NECA is working with NELEP and the delivering councils to identify ways that funding flexibilities can enable early delivery of approved projects and the development of plans and bids for future projects.
- 3.11.7 While the Transport Revenue Budget and levies proposed for 2016/17 will reduce in cash terms, as they contribute to the delivery of national funding cuts, this will be achieved through efficiency savings and use of reserves to protect service outcomes, as well as meeting the increasing costs of statutory concessionary travel.
- 3.11.8 At a time when transport services are having to be cut in many parts of the country the protection of transport service outcomes alongside the investment in improvements to transport and highways infrastructure will help contribute to the outcomes of Inclusion, Transport and Connectivity.
- 3.11.9 We have an existing broadband improvement project covering much of the North East through the Broadband Delivery UK (BDUK) initiative. The Combined Authority will be looking to support this to maximise its coverage by using money from the European Programme from 2015.

4 BACKGROUND INFORMATION – BUDGET PROCESS

- 4.1 Levying Bodies regulations require Transport Authorities to set their Budgets and Levies by 15th February each year. Traditionally levies have been set in January to ensure that this statutory deadline is met, but also to give constituent councils information about the transport levies as early as possible to enable them to reflect it in their budgets. As well as transport levies the Budget will set out any contributions from Councils to meeting the non transport costs of the Combined Authority and will set out information about the Capital Investment Programme of the Combined Authority and how the programme is to be funded.
- 4.2 As the accountable body for the North East Local Enterprise Partnership (NELEP), the Budget will include information about the funds available to NELEP and the NELEP's proposed Budget for 2016/17. The budget will need to reflect Spending Review decisions about the level of grant given to support LEP costs as well as the guidance and the resource requirements needed to meet grant conditions.
- 4.3 It is good practice for all organisations to develop a Medium Term Financial Strategy (MTFS) and it would be preferable to develop the 2016/17 Budget for NECA in the context of as much information as possible over a five year Medium Term Plan period. For NECA, uncertainties of Government funding for 2016/17 and future years, both in terms of potential grant cuts as part of the national Austerity measures and additional funding from the Devolution proposals, make it impossible to develop a medium term plan budget in January while allowing sufficient time for consultation.

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- 4.4 It is therefore proposed that the 2016/17 base Revenue Budget and Capital Programme is developed as a transitional base budget on the basis of known information, to meet the statutory timetable requirements for setting Transport Budget and Levies and contributions from constituent councils. The base Revenue Budget and Capital Programme can be increased in March and during the year by the Leadership Board to reflect any additional expenditure and funding after the appropriate consultation has taken place.
- 4.5 Ambitious major transport and infrastructure projects and programmes supported by funding secured by the Devolution agenda can have a long planning, design and implementation period. Development of projects will take place over the next few months to form the programme needed to help achieve the Strategic Long Term policy objectives of the Combined Authority. It is proposed that a longer term strategic view of investment over a 15 to 20 year period be developed. It is anticipated that this will take significant time and resources to put in place, so an update on the process will be given in January. Developing longer term plans will assist with future bids to secure the additional resources needed to achieve the SEP objectives.
- 4.6 A key decision in the Revenue Budget is what the level of the Transport Levy will be for 2016/17 and future years for Tyne and Wear and for Durham and Northumberland and the level of the contribution from the 7 councils for non-transport costs, including the contribution to fund capacity and corporate costs.
- 4.7 The constitution of the Combined Authority requires an early consultation on Budget Proposals, giving at least two months for the consultation process to be completed. This report will start the consultation process, which will include consideration of the budget report by Overview and Scrutiny Committee, Transport North East Committee, the seven constituent councils, consideration by NELEP and a consultation with the North East Chamber of Commerce.
- 4.8 Leaders have made clear the need for a budget to underpin the delivery of policy priorities including the delivery of the Strategic Economic Plan, which must also take into account the constraints on revenue budgets imposed by national austerity measures. Initial technical briefings and discussions on the budget process and timetable have taken place with all councils and this has resulted in the high level proposal for 2016/17 set out in this report. Further details will be developed and fine-tuned in partnership with the NELEP, councils and delivery organisations over the next few months. This additional detailed work and the feedback from consultation will then be reflected in a detailed 2016/17 Budget Report for consideration in January 2016.
- 4.9 The timetable for developing the 2016/17 Budget and the Medium Term Financial is very tight and involves a number of steps for discussion, consultation and development of the Budget, as can be seen from the draft timetable set out in Appendix A. Further consideration needs to be given to the

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various steps in the process and the route through the various Officer/Leaders meetings, NECA Transport Committees, Overview and Scrutiny Committee, NELEP Board and the NECA Leadership Board. In some case meeting dates have still to be confirmed and these will be confirmed and included in the schedule when they are known.

5 CONTEXT OF AUSTERITY MEASURES

- 5.1 The budget is being developed in the context of significant revenue funding cuts for local government as part of the delivery of the national austerity measures, which is expected to require significant cuts over the next four years. The revenue grant levels for local government will be subject to the outcome of the Spending Review to be announced on 25th November. The Chancellor recently announced that the Department of local Government and Communities was one of four Departmental settlements that had been agreed, with an average funding cut of 30% over the parliament. It is still unclear when the detailed allocations of grant for councils and Nexus in 2016/17 will be announced and some figures may not be known until late in December, possibly as late as 16th December and at this stage it is not yet known how much information will be provided about future years' grant funding.
- 5.2 The Government has made more resources available nationally to help deliver improvements to infrastructure transport and economic development through Growth Deal Funding and the bid previously submitted by NELEP and NECA was particularly successful, with indicative funding amounted to £289m including £79m provisionally allocated for 2016/17. The grant confirmation letters are expected to be signed off shortly after the Spending Review, hopefully in time to be fully reflected in the January Budget report.
- 5.3 The Summer Budget indicated that public spending cuts in 2016/17 would be lower than that previously anticipated, but that there would be continuing significant funding cuts over the next four years. The recent announcement that Revenue Support Grant (which includes funding for concessionary bus travel) could be cut completely by the end of the Parliament, with councils retaining 100% of their business rates also raises significant uncertainty and the potential for additional cuts falling on the councils in the NECA area unless a satisfactory equalisation adjustment can be put in place.
- 5.4 At present the seven constituent councils in NECA receive Revenue Support Grant (RSG) of £427m, which is 4.45% of the national total of £9.6bn. The seven councils contribute £301m of Business rates to the Government as their central share, which is only 2.7% of the national total of £11.3bn. As business rates will increase with inflation the amount that could be transferred to councils should increase slightly. As the national RSG total is cut further the transfer of business rates will be significantly more than RSG. This means that to be fiscally neutral the Government will have to cut other grants – such as New

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Homes Bonus, Public Health and other S31 grants, although the details of which grants would be cut has not yet been announced.

- 5.5 The implications of the announcement of cuts in funding will be analysed and reported to the Leadership Board in January. Councils have estimated cuts in RSG of around £100m next year, with a reduction in spending power averaging around 4% or so. The assessment of cuts in future years will be considered as part of a Strategic review of the Funding for Transport in 2016, taking into account the options now available for NECA for the delivery of the bus strategy. Any options for cuts in discretionary services from 2017/18 onwards would be subject to a consultation process next year.

6 DEVOLUTION AGREEMENT FUNDING

- 6.1 The Devolution Agreement is the subject of a separate report. There are key elements of this which will impact significantly on funding for 2016/17 and future years. Measures which will or could impact on the 2016/17 budget include –

- A new £30 million a year funding allocation over 30 years, to be included in the NECA Investment Fund and invested to boost growth;
- An opportunity to bid for a single allocation of the Local Growth Fund to support a programme of investment, including an element of flexible revenue funding, committed over a 5 year period;
- A scheme which will enable the Combined Authority to retain all business rate growth that would otherwise have been paid as central share to government, above an agreed baseline, for an initial period of five years. Government and the Combined Authority will also discuss wider localisation of business rates;
- The North East will receive additional Enterprise Zones and/or extension of existing zones, subject to the current bidding round for further Enterprise Zones;
- Devolve a consolidated local transport budget with a multi-year settlement to be agreed at the Spending Review, including all relevant local highways and sustainable travel funding;
- The Spending Review will identify a fair level of revenue funding for those functions over the Spending Review period, in the form of a place-based funding settlement for the North East Combined Authority
- The costs of the Mayoral Combined Authority will be met from within the overall resources devolved to the Combined Authority.

7 BUDGET PROPOSALS

7.1 Capital Investment / Expenditure

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- 7.1.1 The approved capital investment programme in the current year is £115.963m, mainly made up of Metro Asset Renewal Programme and Local Growth Deal projects, summarised in Appendix 3. Initial estimates for 2016/17 indicate that this is likely to rise to over £136m, mainly as a result of the additional funding for transport and infrastructure announced as part of the Growth Deal. The programme is expected to increase significantly as a result of a successful Enterprise Zone bid and the funding announced as part of the Devolution Agenda.
- 7.1.2 The Local Transport Programme Integrated Transport Block has been announced for 2016/17 at £13.949m (subject to any revision following the Spending Review), the same level as the grant in 2015/16. The basis for distribution will be subject to discussion at the next meeting of the North East Combined Authority Transport Officers Group.

7.2 Transport Revenue Budgets and Levies for 2016/17

- 7.2.1 Revenue transport budgets in 2015/16 amounted to £89.177m. Indicative changes identified so far for Durham, Northumberland and Tyne and Wear would involve a net reduction in this budget of £2.5m (-2.9%), while protecting service outcomes in 2016/17, but with cuts in services anticipated from 2017. This would give an estimated budget and levies for 2016/17 of £86.7m. Given the significant national higher pressures of funding cuts, this demonstrates the importance and high priority given to Transport in the region.
- 7.2.2 The 2016/17 budget will need to reflect the requirement to maintain the Regional Transport Team. The team is currently resourced using a mix of funding sources, including a topslice of the allocation received for Local Transport Plan activity, capital funding from the programme management element of the LGF and contributions from individual local authorities and the LEP. The Combined Authority Transport Group is developing a proposition on the level of resource required for the team and the way in which it should be funded. This will reflect the new governance and working arrangements established for the Combined Authority and the range of transport responsibilities it now holds. This work will be used to inform the detailed budget proposal that will be considered by the Leadership Board in January.

Durham County Council

- 7.2.3 The budget and levy for public passenger transport activity in County Durham is expected to be in the region of £15.342m for 2016/17. This compares with an original budget of £16.076m for 2015/16 and a revised forecast for 2015/16 estimated at £15.131m. The budget and levy for 2016/17 is summarised in the table below.

Durham Transport Budget and Levy 2016/17

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	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
Grant to Durham			
Concessionary Fares	11,728,380	(9,000)	11,719,380
Subsidised Bus Services	4,610,862	(1,788,664)	2,822,198
Bus Stations	453,258	(311,100)	142,158
Bus Shelters	31,040	(44,460)	(13,420)
PT Information	182,614	(94,568)	88,046
Staffing	594,614	(16,368)	578,246
Total Grant	17,600,768	(2,264,160)	15,336,608
Share of NECA Transport Costs	4,939	0	4,939
Transport Levy	17,605,707	(2,264,160)	15,341,547

7.2.4 The overall bus network in County Durham remains fairly stable. There are no significant commercial changes expected in 2016/17 and only a small number of planned contract renewals. However, in contrast to last year's growth we are now seeing a marginal decline in overall patronage figures; we are also anticipating some modest pressure on contract costs due to the introduction of the National Living Wage.

7.2.5 The budget for subsidised bus services has been reduced by £400,000 in line with Durham County Council's Medium Term Financial Plan for 2016/17. The budget saving will be realised through a combination of efficiency savings and a reduction in costs following contract retendering. The focus of spend continues to be on maintaining the level of accessibility in rural and semi-rural areas and supplementing the daytime commercial network with early and later journeys.

7.2.6 The budget for concessionary fares continues to be subject to pressure from fares increases. However, a combination of the effects of the rise in entitlement age, a stabilisation of concessionary travel journeys and successful negotiations with bus operators in relation to reimbursement costs have led to a modest reduction in this area of the budget for 2016/17.

7.2.7 The other main area of work for the transport team in Durham will be to continue to deliver efficiency savings against the home to school transport and adult social care transport budgets. A full review of transport entitlement, commissioning and procurement is ongoing, together with a pilot scheme looking at post 16, health and mainstream transport under the governments Total Transport initiative

Northumberland County Council

7.2.8 The Budget and Levy for public passenger transport activity in Northumberland is expected to be in the region of £6.159m for 2016/17. This compares with a budget of £5.901m in 2015/16.

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7.2.9 The indicative budget for 2016/17 has increased to reflect inflationary pressures in delivering the Concessionary Travel Scheme and the reinstatement of a proposed saving to the Scheme following an audit of the use of disabled passes. The budget for Bus Services will be protected at its current level in cash terms, and no significant investment in the county's bus stations is planned for 2016/17.

Tyne and Wear

7.2.10 A proposal is being developed in more detail for consideration by Tyne and Wear Sub Committee which would see the Transport Budget and Levy for Tyne and Wear being set at £65.120m, if there is no significant reduction in the Metro Rail Grant. This is a reduction of £2.080m on the Levy in 2015/16, achieved by efficiency and other cost savings in the former ITA and Nexus Budgets and the use of former ITA reserves. This will maintain service outcomes while further improving the value for money provided to districts and help them to meet national funding cuts.

7.2.11 The distribution of the Levy within Tyne and Wear is based upon population and the levy will reflect changes in population as well as the cut in the overall amount. The indicative levy for 2016/17 for each of the Tyne and Wear districts is shown below.

District	Population (2014 Mid Year Estimates)	2016/17 Levy	Saving compared to 2015/16
Gateshead	200,505	£11,671,345	(£397,749)
Newcastle	289,835	£16,871,122	(£437,299)
North Tyneside	202,744	£11,801,677	(£397,403)
South Tyneside	148,740	£8,658,118	(£304,843)
Sunderland	276,889	£16,091,813	(£568,531)
Total	1,118,713	£65,120,000	(£2,080,000)

7.2.12 This reduction would bring the overall annual transport levy reduction since 2010 to £13m, achieved through efficiency savings and use of reserves, whilst protecting service outcomes to date. This level of saving while protecting service outcomes is a significant achievement, particularly in the light of the cost pressures in respect of Concessionary Travel and outcomes in other regions around the country where there have been some significant cuts in services. However it is now highly likely that to set a balanced budget in the medium term, cuts in services would need to be implemented from 2017.

7.2.13 The levy is used to fund NECA costs as well as providing a grant to Nexus to fund transport services. The allocation of the levy is proposed as follows.

	2015/16 £	2016/17 £	Change £

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NECA Transport Costs	2,700,000	2,620,000	(80,000)
Grant to Nexus	64,500,000	62,500,000	(2,000,000)
Total Levy	67,200,000	65,120,000	(2,080,000)

7.2.14 Savings on the former ITA element of the NECA budget include savings in pension and capital financing costs, reduction in support costs following the creation of NECA and some use of reserves. The Nexus savings will be achieved by efficiency savings and use of reserves and budget cuts which minimise the impact on service outcomes in 2016/17. The use of one off savings in 2015/16 of up to £1m will help to fund the cut in the levy in 2016/17.

7.2.15 The Nexus Budget is balanced by planned use of reserves pending the delivery of further savings in future years, which will be subject to a Strategic Review of Transport funding next year. This will identify the level of the Levy that Councils can afford and the cuts in discretionary services that would be needed to set a balanced budget, for consultation next year. Further details of the NECA Transport and Nexus Budgets will be reported to Transport North East Committee and Tyne and Wear Sub Committee for consideration.

7.3 Economic Development / NELEP Capacity

7.3.1 The NELEP core team is part funded from a Government contribution matched by a contribution from the constituent authorities. The Government has still to announce the continuation of their £250k grant in 2016/17. Match funding will continue to be provided and is funded by equal contributions from the seven constituent authorities. It is important to secure certainty about the available funding over the medium term period, to ensure that effective capacity can be maintained to deliver the SEP project and programme related activity. Additional funding sources are also being identified to cover project and programme related activity.

7.3.2 The NELEP has significant loan funds and an update on the estimated level of funds available next year will be reported to the January meeting.

7.4 NECA Corporate Costs

7.4.1 The NECA budget for Corporate Costs was increased to £300,000 in 2015/16. It is now clear that forecast expenditure to the year-end will exceed this level, and the balance of costs in 2015/16 will need to be funded from interest on cash balances, savings in other budgets and reserves. An exercise is underway to identify a revised estimate of costs for 2015/16 and the level of the capacity required in 2016/17 and future years. This includes the capacity needed to meet the additional responsibilities that will be placed on NECA as part of the Devolution agenda.

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- 7.4.2 In the current year additional funding is needed in order to provide the internal and external capacity to progress the various work streams related to the Devolution agenda, including work relating to the establishment of the Health and Social Care Commission and public service integration. It is proposed that a budget of up to £0.5m be established for this purpose, with any release of the funding for specific proposals to be agreed under the delegated decision making process, with further details to be reported in the January Budget Report. The funding will be found from temporary use of reserves, interest on cash balances and any savings on budgets in the current year.
- 7.4.3 The main areas of cost relate to support and input from the Interim Chief Executive, Monitoring Officer and Legal costs, Chief Finance Officer and Finance costs, HR support, Internal and External Audit, administration and co-ordination costs continued from previous years and other operating costs. At this stage it is proposed that the current contributions from constituent councils be maintained at the current to a level of £300,000 (£42,857 per authority on an equal shares basis), with additional costs being met from additional funding external funding, including additional interest on cash flow on cash balances.

7.5 NECA funding Flexibilities

- 7.5.1 A number of opportunities have been identified following the creation of NECA to deliver improved funding flexibilities to help achieve economic objectives within the SEP, to deliver treasury management savings for constituent authorities and to boost resources availability to help achieve the SEP objectives.
- 7.5.2 The flexibilities of proposed treasury management arrangements by NECA should help increase surplus resources which can be used to support economic development initiatives and provide capacity to support delivery and the development of major projects and future funding bids. These proposals are currently subject to consideration by the Directors of Resources group and any specific proposals will be included in the January budget report.
- 7.5.3 NECA should also be able to assist with more flexible cash flow management of funding to enable capital investment to be accelerated where this is possible to help achieve the earlier delivery of SEP objectives.

7.6 Fees and Charges

- 7.6.1 The main fees and charges that feature as part of the NECA / Nexus Budget relate to Metro Fares, the Gold Card for concessionary Travel on Metro and the Tyne Tunnel Tolls.
- 7.6.2 In the past, in order to meet budget targets and to align with national rail fare increases, Metro fares have traditionally been reviewed with changes coming into effect from January. At this stage, the proposal being worked up for

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consideration by the Tyne and Wear Sub-Committee is to increase Metro fares from 2nd January 2016 by a weighted average of 0.4%; this figure is slightly below the level of the Retail Price Index of 1.0% (as at July 2015).

- 7.6.3 This increase is necessary in order to help meet the financial targets required by the Nexus Medium Term Financial Forecast and subject to approval by the Tyne and Wear sub Committee, an estimated additional £0.530m is expected to be generated in 2016/17. This represents increased revenue from fare changes in isolation and does not include any potential changes in the underlying trend of Metro usage, including the potential for an increase in demand associated with the Pop Pay as You go product. A stretch target for Metro revenues will be considered further and reflected in the January 2016 Budget report.
- 7.6.4 The Tyne and Wear Sub Committee will also consider the price of the Gold card, which was significantly reduced in 2014 from £25 to the current price of £12 and will consider the level of the child concessionary fares currently £1.10. for the all Day Ticket and 60p for a single ticket. Their recommendations will be included in the consultation process.
- 7.6.5 In terms of the Tyne Tunnel Tolls, the toll for cars of £1.60 was set in January 2013 and the tolls for Heavy Good Vehicles (HGV) of £3.20 were set in January 2014. The tolls are due to rise to maintain the level of tolls in real terms, keeping pace with inflation as measured by the Retail Price Index (RPI), with increases limited to whole 10p figures and the ratio between HGV and Car tolls being preserved at 2:1. RPI figures are expected to increase over the next few months to reach a level triggering an increase in tolls in summer 2016 to £1.70 for cars and £3.40 for HGVs. This increase would help cover the increase in the payments to the concessionaire which have already increased in line with inflation, and keep the annual deficit in the Tunnels account to a minimum level.

7.7 Reserves and Contingencies

- 7.7.1 The General Reserve of NECA was set at a relatively low level of £350k for 2014/15. This fell to £279k at the end of 2014/15 and it looks likely that this reserve will be drawn upon further to fund corporate costs in 2015/16. The revised estimate of the likely outturn level of reserves at the end of 2015/16 is currently being assessed and is estimated to be between £150k and £200k. The required level of the Corporate Reserve will be reassessed based upon a risk analysis taking into account the resources available to meet corporate costs next year and may need to be restored to a higher level, which could be achieved by use of additional interest on revenue balances.

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- 7.7.2 The original Tyne and Wear Transport budget for 2015/16 also included a level of contingency. This will be reduced over the next three years to part fund the proposed cut in the Levy from 2016/17. Other significant reserves are ringfenced for the financing of the Tyne Tunnels, for capital investment or being held on behalf of the Region for the North East Smart Ticketing Initiative (NESTI).
- 7.7.3 Nexus are planning to use some of their general reserves help balance their budget over the next three years. The figure will depend on the spending review outcome and other budget decisions by TWSC.

8 Potential Impact on Objectives

- 8.1 The budget and Medium Term Financial Strategy will reflect the policy objectives of the Combined Authority including the delivery of the Strategic Economic Plan. Future reports will set out revenue and capital budget proposals that will help deliver the objectives of the Combined Authority

9 Finance and Other Resources

- 9.1 The financial and other resources are summarised in this report, where they are known. Further detail that are known about the impact of the Spending Review in terms of funding cuts and additional funding to be available under the Devolution Agreement and successful bids for Enterprise Zones will be identified in the January Budget Report.

10 Legal

- 10.1 The NECA is required by virtue of the Transport Levying Bodies Regulations 1992 to issue the transport levy before 15 February preceding the commencement of the financial year in respect of which it is issued.
- 10.2 In accordance with the Budget and Policy Framework Rules of Procedure of the NECA's Constitution, at least 2 months before the calculations on the Revenue Budget and transport levy are required to be finalised, the Leadership Board will produce initial outline proposals to the NECA's Overview and Scrutiny Committee. The accompanying information will include details of how it is intended to consult with the Constituent Authorities, stakeholders and residents as well as the timetable for the consultation and preparation of the final proposals. The Overview and Scrutiny Committee, after considering the consultation proposals and timetable can make appropriate recommendations to the Leadership Board in that regard.
- 10.3 Once the consultation process has been completed, details of the final proposals in relation to the Revenue Budget and levy will be referred to the Overview and Scrutiny Committee. The Leadership Board when considering

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the final proposals will take into account the recommendations and/or observations of the Overview and Scrutiny Committee. The Leadership Board must approve the final overall budget proposals unanimously.

11 Other Considerations

11.1 Consultation/Community Engagement

11.1.1 The NECA constitution requires that consultation on its budget proposals to be undertaken at least two months prior to the budget being agreed. It is proposed that the 2016/17 Base Budget Proposals be reported to the Leaders Board on 17 November to start a consultation process, which will include the Overview and Scrutiny Committee and the North East Chamber of Commerce. New proposals to be considered as potential budget increases later in the year would also be subject to a consultation process.

11.1.2 NELEP will be considering its budget from November to January. Consultation on any specific Transport proposals with service impact in Durham, Northumberland and Tyne and Wear will be undertaken by individual councils/delivery organisations. Overview and Scrutiny Committee will consider the budget process and the key proposals at its meetings on 1st December.

11.1.3 In order to assist with the consultation process, it is proposed that a narrative document be prepared from the content of this report and the comments and decisions of the Leaders board of 17 November, which will set out the budget proposals in an appropriate format for consultation.

11.1.4 With recommendations for Transport budgets and Levies being considered by committees in December, comments on the initial proposals should be received by 30th December if they are to be reflected in the reports to the Transport North East Committee and by Durham and Northumberland County Councils. Comments on all budget proposals should be received by 4 January 2016 in order to be taken into account in producing the Budget report for the NECA Leaders Board meeting in January. Additional comments received after these dates could be taken into account by the Leaders Board in taking their decision on 19th January.

11.1.5 The late confirmation of funding means that new funding for 2016/17 will have to be reported to future meetings of the NELB and a consultation process for the use of that funding will need to be put in place.

11.2 Human Rights

Any human rights issues will be reflected in the future reports on budget proposals.

11.3 Equalities and Diversity

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There are no specific issues arising directly from this report.

11.4 Risk Management

11.4.1 Appropriate risk management arrangements will be put in place and reported as part of the Budget Report in January. Key issues will be the level of reserves and mitigation measures that can be put in place.

11.5 Crime and Disorder

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

11.6 Environment and Sustainability

There are no specific issues arising directly from this report. The Budget reports will set out environment and sustainability implications.

12 Background Documents

12.1 NECA constitution. Growth Deal announcement – July 2014. Devolution Agreement – October 2015. NECA 2015/16 Budget Report – January 2015.

13 Links to Plans in the Policy Framework

13.1 The Budget Report itself will reflect all of the NECA Plans and Policies and links to the policies are set out in the report.

14 Appendices

14.1 Appendix 1 : Updated Budget Timetable

Appendix 2 : Summary of Headline Budget Figures.

Appendix 3 : Summary of Capital Investment Indicative Figures

Appendix 4 : Summary of NELEP / European Funding

15 Contact Officers

15.1 Paul Woods, Chief Finance Officer. Paul.Woods@northeastca.gov.uk, Tel: 07446936840

16 Sign off

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

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Appendix 1 : Budget Timetable

DATE	EVENT	ACTION
March 2016	NECA Leaders Board	Consider additional Budget proposals, including those funded from additional devolution funding
January – February 2016	Further Consultation	Consultation on additional funding proposals to be considered in March
? January 16	NELEP Board	Final Budget Report
19 January 16	NECA Leaders Board	Formally Agree Levies / Budget
8 January 16	Paper circulation	Final Budget report Published
December	Meeting with North East Chamber of Commerce	Consultation on Budget and Levy Proposals for January 2016 Meeting
1 December	NECA Overview and scrutiny Committee	Consider Budget Report as part of Consultation Process date to be confirmed
24 November	Transport North East Committee	Consider/Agree Transport Budget / Levy Proposals for consideration by Leadership Board
17 November	NECA Leaders Board	Consider and agree Draft Budget Report for Wider Consultation

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Appendix 2 : Summary of Headline Revenue Budget Information 2015/16 and 2016/17 (Indicative)

	2015/16 Revised Estimate – Net Revenue Expenditure	2015/16 Revised Estimate – Net Revenue Expenditure
	£000	£000
<u>Transport</u>		
Tyne & Wear (Grant to Nexus)	64,500	62,500
Tyne & Wear (non-Nexus)	2,700	2,620
Northumberland	5,901	6,159
Durham	15,131	15,342
Transport Sub Total	88,232	86,621
LEP Executive Core Team – NECA contribution	250	250
Combined Authority Corporate Costs Budget	300	300
Inward Investment	140	140
Total	88,922	87,311

The NELEP are considering their budget figures next month and the figures for use of NELEP funds will be updated when information is available. Detailed figures will be included in the January report

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Appendix 3 : Summary of Headline Capital Expenditure Estimates 2015/16 and 2016/17 (Indicative)

	2015/16 Programme	2016/17 Indicative
	£m	£m
Local Growth Fund – Transport Schemes	30.150	45.670
Local Growth Fund – other	23.760	33.730
Metro Capital Programme	46.261	44.177
LTP Integrated Transport Block, (excluding LTP ITB contribution for match funding, shown above)	12.083	11.309
Tyne Tunnels Capital Programme	3.709	2.000
Total	115.963	136.886

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Appendix 4 : Summary of NELEP / European Funding

North East Investment Fund

The £55m North East Investment Fund managed by the North East LEP includes resource of £25m from the Growing Places Fund (GPF) and £30m from the Regional Growth Fund (RGF). The fund supports capital projects that encourage economic growth and create jobs in the North East LEP area.

Growing Places Fund £25m

All of the £25m is allocated with projects continuing to draw down funds in line with their agreed profiles of spend. Loan repayments have already commenced for a number of projects and will continue in 2016/17 and beyond. Projects supported cover private and public sector led developments including North East Enterprise Zone infrastructure investment.

Regional Growth Fund £30m

As part of the government's RGF Round 3, the NELEP secured funding of £30m, which jointly funds the NE Investment Fund. All funding is now allocated to projects and must be drawn down by the end of the 2015/2016 financial year. A number of development projects have already been completed and loan repayments have commenced in line with their loan agreements.

NE Growth Deal 2015/2021

The North East LEP has secured £289.3 m from the Government's Local Growth Fund to support economic growth in the area – with £53.9m of new funding confirmed for 2015/16 and an indicative allocation for 2016/17 of £78.7m, which has still to be formally confirmed.

A full summary of the North East Growth Deal is available from the following link on the NELEP website;

<http://www.nelep.co.uk/media/7313/north-east-growth-deal.pdf>

European Funding Summary

European Structural and Investment Funds

Context

The European Structural and Investment Funds (ESIF) 2014-2020 are the European Union's main funding programmes supporting jobs and growth across Europe. Four ESIF funds are active in the North East, including European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF).

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Whilst for the 2014-2020 programme period these are being managed through national Operational Programmes, Government is keen to ensure this funding is focused on local priorities which align with the Strategic Economic Plan. The North East LEP area European Structural and Investment Funds Strategy sets out areas for investment which match the local priorities as set out in the SEP with the European objectives of smart, sustainable and inclusive growth. The strategy, currently being finalised, therefore addresses a wide range of potential activities including innovation, business support and access to finance, sustainable and low carbon growth, employability and inclusion, and skills.

Local sub-committees have been established in each local LEP area to provide advice to the Managing Authorities on local strategic fit and deliverability, using the ESIF Strategies as the framework for investment. These sub-committees sit within the national governance framework with the national Growth Programme Board established to fulfil the function of the Programme Monitoring Committee for ERDF and ESF investments. EAFRD has retained a separate national Growth Programme Board and EMFF is being managed at a national level.

Successful delivery of the programme

Local partners including the North East Combined Authority and North East LEP have a role in supporting delivery of the programme to ensure these successful meet local need and national requirements.

European Structural and Investment Funds largely operate on a call and project application basis. This involves local partners submitting applications for funding to deliver projects, which meet the agreed local strategy and national Operational Programme. To ensure that these applications successfully meet the European framework and local need are deliverable and successful requires additional supporting capacity. This has been provided through individual organisations included a number of local authorities under the current programme. As such support is integral to successfully delivering the funding programmes it can draw on Technical Assistance funding through the ERDF and ESF programmes. For the 2014-2020 programme the Government has made available up to 5% of the Technical Assistance budget available to local partners. Technical Assistance has been drawn on by a number of local authorities and the North East LEP in the current programme and a range of proposals were submitted to the relevant call in 2014 for future use. Advice from the Managing Authority and local sub-committee is for this to be taken forward through a single project application. Partners are working on this currently drawing on identified match funding resource from individual local authorities and the Local Enterprise Partnership budget as set out in the applications to date.

Further to this role in supporting project applications, the devolution deal and proposal for Sustainable Urban Development in the North East both bring additional responsibility to the North East Combined Authority. This due to undertaking the relevant 'urban authority' and 'intermediate body' role. This enhances the ability for local decision making in line with the overall programme. To fulfil this responsibility

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the Combined Authority can also draw on the Technical Assistance funding, again providing 60% or 50% of the required resource to deliver the activities, the match funding for this role remains to be identified following initial discussions with the Managing Authorities. Following advice from Managing Authority colleagues, this may represent around 3-5 FTE posts.

Match funding opportunities – achieving SEP ambitions

The European Structural and Investment Funds represent a strong opportunity to deliver on strategic local aspirations and potential to match fund locally available resources to achieve greater results for the area. There has been a strong, positive response to the initial call areas; however, significant opportunities remain within the programme. Alignment of the approach taken for locally available strategic funding with the ESIF programme will enable projects to achieve better outcomes and achieve local strategic aims. There is need for match funding in some areas where this is likely to prove more challenging despite strong strategic rationale for intervention and across both capital and revenue activities. Match funding relating to revenue activities is in many cases proving more challenging to achieve. This is particularly true in meeting aspirations around innovation, low carbon growth and sustainability as well as ESF activities under inclusion, employability and skills

Other European funding

Whilst the main focus to date has been in maximising the opportunities available through the European Structural and Investment Funds Strategy, European funding includes a wide range of other sources. These include European-level programmes such as Horizon 2020 for innovation, LIFE for sustainability and low carbon and Erasmus+ for education and skills and transnational programmes. Despite a number of examples of successful and positive projects to date, this funding has been underutilised and opportunities to integrate these sources into future will be built into future proposals.

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