

## Leadership Board

Tuesday 4 February 2020 at 2.00pm

Meeting to be held at: Sunderland Civic Centre, Burdon Rd, Sunderland  
SR2 7DN

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## AGENDA

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### Page No

1. **Apologies for Absence (Members)**

2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the Previous Meeting held on 10 December 2019** 1-4

For approval as a correct record

4. **Announcements from the Chair**

5. **Chair Thematic Portfolio Update** 5-12

6. **Economic Development and Digital Thematic Portfolio Update** 13-32

7. **Transport Thematic Portfolio Update** 33-36

8. **Finance and Skills and Employment Thematic Portfolio Update** 37-46

9. **NECA Budget 2020/21 and Medium-Term Financial Strategy** 47-118
10. **Capital Programme 2020/21** 119-216
11. **Exclusion of Press and Public**

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

12. **Confidential Minutes of the Previous Meeting held on 10 December 2019** 217-218
13. **Local Enterprise Partnership – Project Approval Report** 219
14. **Date and Time of Next Meeting:** 3 March 2020 at 2.00pm

Contact Officer: Jonathan Lunness Tel: 0191 4247536  
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## North East Combined Authority, Leadership Board

10 December 2019

Agenda Item 3

(2.00pm - 2.20pm)

Meeting held at South Shields Town Hall and Civic Offices, Westoe Road, South Shields, NE33 2RL

### Present:

**Councillors:** I Malcolm (Chair), M Gannon, C Marshall

**Officers:** Martin Swales (Chief Executive, South Tyneside), Sheena Ramsey (Chief Executive, Gateshead), Terry Collins (Chief Executive, Durham), Vince Taylor (Assistant Director of Economic Policy, Sunderland), John Hewitt (Chief Finance Officer, NECA), Nicola Robason (Deputy Monitoring Officer), Gavin Armstrong (Policy and Scrutiny Officer, NECA), Jonathan Lunness (Strategy and Democratic Services Assistant, NECA)

### 1. APOLOGIES FOR ABSENCE (MEMBERS)

Apologies for absence were received from Councillor G Miller, Councillor S Henig and Patrick Melia.

### 2. DECLARATIONS OF INTEREST

None.

### 3. MINUTES OF THE MEETING HELD ON 05 NOVEMBER 2019

The minutes of the previous meeting held on 05 November 2019 were approved as a correct record.

### 4. ANNOUNCEMENTS FROM THE CHAIR

There were no announcements from the Chair.

### 5. NECA BUDGET PROPOSALS

Submitted: Report of the Chief Finance Officer of NECA (previously circulated and copy attached to the official minutes).

The report provided an update on the NECA Budget Proposals and the North East Joint Transport Committee (JTC) deliberations on the transport budget proposals in line with the budget consultation process.

Since the previous Leadership Board meeting held 05 November 2019, the JTC held a meeting on 19 November 2019 to consider an updated report on the transport budget proposals.

The report outlined the draft proposed budget and levy for public passenger transport activity in County Durham and Northumberland. The report also included modelling for different scenarios of the levy in Tyne and Wear. This information had been requested by Members of the JTC and was attached to the report in Appendix 1. Members noted that the draft proposals were based on an overall cash freeze for the Tyne and Wear levy for 2020/21.

It was noted that proposals in relation to the NECA Corporate Budget, the North East Local Enterprise Project (NELEP) and Invest North East England (INEE) had not changed since the previous meeting but were presented in the report for information.

Members noted that final detailed proposals will be presented to the Leadership Board at the next meeting to be held 4 February 2019, which will require the unanimous agreement of all Members.

**RESOLVED That:**

- i. the report be received;
- ii. the following proposals for the NECA 2020/21 Revenue Budget be noted and that Transport related proposals will be further considered by the Joint Transport Committee on 21 January 2020:
  - a. The current £250,000 contribution towards the North East Local Enterprise Partnership (North East LEP), funded by an equal contribution of £35,714.29 from the seven councils in the North East LEP area, which is required to match fund government grant, be continued in 2020/21;
  - b. The contribution to the Invest North East England (INEE) team of £20,000 per local authority be continued subject to discussion with constituent councils and the North East LEP. The current council contributions of £140,000, an equal contribution of £20,000 from the seven councils in the North East LEP area, is proposed to be continued in 2020/21;
  - c. The contribution from the NECA constituent authorities to NECA corporate costs of £22,857 per council be continued in 2020/21;
  - d. The £70,000 contribution towards the costs of the Joint Transport Committee Accountable Body role be continued in 2020/21 through an equal contribution of £10,000 from the seven local authority members of the North East Joint Transport Committee; and
  - e. The £70,000 contribution towards the costs of the North East LEP Accountable Body role be continued in 2020/21, through an equal contribution of £10,000 from the seven local authorities in the North East LEP area.

iii. noted that the final budget proposals will be presented to the Leadership Board at its meeting on 4 February 2020.

**6. DATE AND TIME OF NEXT MEETING**

Tuesday 4 February 2020 at 2.00pm.

**7. EXCLUSION OF PRESS AND PUBLIC**

Under section 100A and Schedule 12A Local Government Act 1972, the press and public were excluded from the remainder of the meeting for consideration of Agenda Item 7 (Local Enterprise Partnership – Project Approval Report), because exempt information was likely to be disclosed and the public interest test against disclosure was satisfied.



## Leadership Board

### Agenda Item 5

**Date:** 4 February 2020

**Subject:** Thematic Lead Portfolio Update

**Report of:** Chair or Leadership Board

### Executive Summary

The purpose of this report is to up-date the Leadership Board on the activities within the Chair's Portfolio.

The report provides a summary of ongoing activity to develop an Economic Plan for the NECA area that sets out the strategic ambitions for an economic revolution based on sustainable growth and a low carbon future.

The report also provides a high-level overview of activity to support inward investment and in this regard should be read alongside the more detailed information set out in the Economic Development and Digital Thematic update elsewhere on this agenda.

Finally, the report will cover the activities of the Chair since the last meeting of the Leadership Board to build robust partnerships across the region and to ensure that the strategic priorities of NECA and the North East region more generally are effectively communicated to the widest possible stakeholders and potential investors.

### Recommendations

This report provides an update on activities across the Chair's portfolio. It is provided for information and Leadership Board members are requested to note and provide any comments on the report.

## **1. Invest North East England (INEE)**

1.1 A detailed overview of the current inward investment and international trade activities across the NECA area are set out elsewhere on the agenda as part of the regular Economic Development and Digital Theme update. The following, however, provides a high-level overview of activity.

1.2 The preliminary data for Quarter 2 Inward Investment successes in 2019/20 is now available and the headlines are as follows:

- 14 Foreign Direct Investment (FDI) projects resulting in 339 new jobs
- 6 UK inward investments projects resulting in 306 new jobs.

Across the combined NECA and NTCA areas, there have been a total of 37 inward investment projects resulting in over 980 new jobs.

Going forward, the Invest North East England team is actively leading on a number of significant enquiries, predominantly in the advanced manufacturing, digital tech and business services sectors.

1.3 The Economic Development and Digital update also provides details of the marketing, communications and events activities undertaken by Invest North East England so far in 2019/20, including the launch of six sector showcase videos and increasing online and social media promotional activity.

With support from the North East LEP Communications Team, Invest North East England are working on a marketing strategy for 2020/21 and are continuing work on lead generation, and with the Department of International Trade (DIT).

1.4 The Chair continues to have regular meetings with the Director of Invest North East England who provides a synopsis of ongoing activity particularly associated with current enquiries. The next meeting is scheduled for 24 February 2020.

## **2. Climate Emergency**

2.1 The Leadership Board will recall that it resolved unanimously to declare a Climate Change Emergency at its meeting on 5 November 2019. A key component of that declaration was to establish a Task and Finish Group drawn from the relevant lead officers in the four NECA constituent authorities. This Group is now meeting, and its primary activity will be to identify key areas of collaboration and develop a draft proposition for presentation to a future Leadership Board that will identify what additional resources are required from Government and what legislation would be required to support the activities of the NECA constituent authorities as they progressively move towards their carbon reduction targets.



- 2.2 It was also agreed through the November 2019 declaration that a report be presented to NECA Leadership Board on an annual basis setting out progress towards emissions targets across the NECA footprint. It is proposed that the first such annual report is presented to Leadership Board on 9<sup>th</sup> June 2020 by which time all four NECA Councils will have formally published their actions plans. This initial June 2020 report will then set out the baseline position with reports to be presented in June each year thereafter setting out progress referenced back to this established baseline.
- 2.3 It is already clear that, even at this early stage, there are a number of areas of common interest when it comes to the decarbonisation of the NECA area; these include investment in active and sustainable travel, renewable energy, housing renewal and green infrastructure. As a consequence, there will be a number of areas where a collaborative cross-NECA approach will be significantly important and these will be drawn out in detail in the June 2020 report.
- 2.4 In addition, our 'green' economy and sustainable growth agenda was also discussed recently with the North of Tyne Combined Authority. The work referred to above will also be used to inform our collaborative work with colleagues North of Tyne and to consider the collective opportunities to become carbon neutral whilst stimulating the North East economy.
- 3. Towards an Economic Plan for NECA**
- 3.1 The Leadership Board will be aware that there has already been considerable activity associated with the development of an ambitious and forward-thinking economic strategy for the NECA area. There continues to be more work to do on this to refine the evidence base and set out clear strategic objectives before it is presented to Leadership Board for adoption.
- 3.2 At the very core of this strategy, however, is a clear commitment to leading the low carbon, sustainable growth revolution building on NECA's nationally significant presence as an advanced manufacturing hub.
- 3.3 The emerging themes of our Economic Strategy are:
- Decarbonising our economy, private and public
  - Further developing our leadership in international trade and investment
  - Securing better skills and more quality jobs for our residents
  - Drawing many more of our residents into the economic mainstream to increase prosperity and reduce dependence

- Becoming a well-connected region within our green economy
- Becoming a Great Northern Place

3.4 The Leadership Board will be aware of our pre – Budget submission letter that was sent to the Prime Minister recently. With the Budget in mind and rebalancing the economy of the UK very much on agenda, the Leadership Board took the opportunity to make government aware of our ambitious plans and the key investment opportunities to raise productivity and growth in the NECA area.

3.5 The Leadership Board will also note the approach made to Rt Hon Jake Berry MP, Minister of State for the Northern Powerhouse and Local Growth, with regards the letter referred to in paragraph 2.8 above.

#### **4 Collaborative Working**

4.1 Whilst the core activities of NECA are driven forward by the three strategic themes, the Chair's portfolio ensures that the Combined Authority is well positioned inter-regionally, nationally and internationally to influence policy, lever external investment and create jobs for local people.

4.2 A prominent element of the Chair's activity is therefore to establish, grow and maintain strategic relationships with those individuals, groups and organisations that can help achieve these aims.

4.3 The Chair's update at Leadership Board in November 2019 outlined the scope and outcomes from initial discussions that had taken place with the Mayor of North of Tyne Combined Authority (NTCA). A collaborate meeting took place on Monday 13 January 2020 between the eight local authority Leaders and Elected Mayors in the region. The meeting was extremely positive with a range of discrete initiatives identified as areas of common cause that can be taken forward at a seven local authority geography complementing the work already going on across the North East in relation to Transport Strategy and in support of the North East Local Enterprise Partnership.

#### **5. North East Development Conference 2020**

5.1 The Leadership Board will be aware of the North East Development Conference that took place on Wednesday 8<sup>th</sup> January 2020 at Newcastle Civic Centre.

5.2 The conference was coordinated by Built Environment Networking (BE) who are a leading provider of networking and development insight events across the UK, delivering over 100 events per year. The events are designed to connect people through

networking, with business leaders and decision makers from the UK's biggest companies. Most events are designed to reveal exclusive business opportunities, with speakers sharing future development plans to showcase where focus should be in the regions.

- 5.3 The Chair was to be a keynote speaker and opened the event, with the North of Tyne Combined Authority Mayor, Mayor Driscoll speaking later in the day. This was an opportunity for NECA to set out its ambitions and also demonstrate a spirit of collaboration and joint working across the North East region.
- 5.4 The event was an overwhelming success and the messages received from delegates have been very positive. Over 270 delegates attended and there were many enquiries made at the NECA Exhibition Space. NECA also used the event to bring back into use the NECA Twitter account, '#NorthEastCA', with a total of 7 tweets made directly from the NECA account, a total of 20 re-tweets from the event and a number of new NECA 'Followers' as a result.

## **6. Turner and Townsend Event**

- 6.1 Turner & Townsend is an independent multi-national professional services company specialising in programme management, project management, cost and commercial management and advisory across the real estate, infrastructure and natural resources sectors. Over the past 6 years, Turner and Townsend have hosted a number of sessions covering a varied range of subjects including Local Plans, Regeneration Schemes and Higher Education Strategies. The Leadership Board may also recall the presentation event by the North East LEP regarding the Strategic Economic Plan (SEP) which was very well received.
- 6.2 The Leadership Board will recall that NECA Officers have been working with Turner and Townsend to arrange a session where NECA and the North of Tyne Mayoral Combined Authority together with the North East LEP have the opportunity to outline how they are currently working together in order to better inform the business community and encourage investment across the region.
- 6.3 The Leadership Board is asked to note that the event that will take place on Thursday 30 January 2020 and the Chair will attend as NECA's representative. The event is taking place at the Live Theatre in Newcastle City Centre. A short presentation will be provided from each of NECA, the North of Tyne Combined Authority and North East LEP and then a joint Q&A session with the audience will follow. A guest list has been developed and around 100-120 attendees are expected. These are a mixed audience from both public and private sector but are north east based and generally from the business sector.

- 6.4 This will provide a further opportunity to set out NECA's ambitions and to demonstrate the spirit of collaboration and joint working that is in place across the North East region.

## **7. Reasons for the Proposals**

- 7.1 This report provides an update on those activities within the Chair's portfolio since the last meeting of the Leadership Board.

## **8. Alternative Options Available**

- 8.1 There are no alternative options associated with this report, which is presented for information.

## **9. Next Steps and Timetable for Implementation**

- 9.1 A further update will be provided to the Leadership Board at subsequent meetings.

## **10. Potential Impact on Objectives**

- 10.1 The activities set out in this report will support NECA in its aims to promote economic growth and regeneration in the area.

## **11. Financial and Other Resources Implications**

- 11.1 There are no direct financial or other resource implications associated with this report.

## **12. Legal Implications**

- 12.1 There are no legal implications arising from this report.

## **13. Key Risks**

- 13.1 There are no specific risk management issues arising from this report.

**14. Equality and Diversity**

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

**15. Crime and Disorder**

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

**16. Consultation/Engagement**

16.1 There are no specific consultation and engagement issues arising from this report.

**17. Other Impact of the Proposals**

17.1 There are no further impacts arising from the proposals.

**18. Appendices**

18.1 None.

**19. Background Papers**

19.1 None.

**20. Contact Officers**

20.1 George Mansbridge, Corporate Director Regeneration and Environment, South Tyneside Council [George.mansbridge@southtyneside.gov.uk](mailto:George.mansbridge@southtyneside.gov.uk)

## **21. Sign off**

- 21.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

## **22. Glossary**

- 22.1 None.

## Leadership Board

### Agenda Item 6

**Date:** 4 February 2020

**Subject:** Economic Development and Digital Theme Update

**Report of:** Economic Development and Digital Thematic Lead

### Executive Summary

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

The report provides an update of activity of Invest North East England; an update on the development of the North East Local Enterprise Partnership Local Industrial Strategy; and an overview of the current activity within the European Structural and Investment Fund programme – including European Regional Development Fund and European Social Fund grant allocations, commitments and ongoing bids and calls.

The report also provides an update on the Strength in Places Fund; an overview of the latest position with regards to Brexit and the withdrawal agreement; and an update about the Economic Development and Digital Advisory Board review.

### Recommendations

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

## Leadership Board

### 1.0 Background Information

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

- Invest North East England and Trade activities
- Local Industrial Strategy
- European Structural and Investment Funds Programme
- Brexit
- The Economic Development and Digital Advisory Board review.

### 1.2 Invest North East England (INEE)

### 1.3 *Inward Investment Successes 2019/20*

1.4 As outlined in the Chair's update, preliminary successes/new job numbers for Q2 2019/20, for the NECA area are:

- 14 FDI / 339 new jobs
- 6 UK inward investments projects / 306 new jobs.

Key investment successes include:

- Ocado announced as first tenants in to The BEAM, Sunderland
- Nuby announced its expansion in South Tyneside.

Quarter 3 figures will be available for the next update.

### 1.5 *Marketing and Communications*

1.6 Key elements in 2019/20 include:

- Launch of the six sector showcase videos
- Production / launch of shorter themed videos to complement the above
- Growing website traffic to the INEE websites
- Increase following on social media outlets
- Improvement to the INEE website which has supported an improved Search Engine Optimisation ranking and visitor experience.

The team have featured in a number of panel discussions (i.e. Fintech North), media publications and attended key UK and international events to support the positive promotion of the North East as a key investment location, such as the British Ambassadors dinner for the Irish Immersive Tech sector in December.



## Leadership Board

As reported in the Chair's update, the marketing strategy under development for 2020/21, will combine event attendance, digital marketing (social media) and possible paid-for advertising in key outlets (i.e. the continuation of Bdaily 'Hot Topics' sponsorship).

### 1.7 **Events**

1.8 The INEE team have already attended / exhibited at / sponsored a number of events in 2019/20 representing the region. Key events include:

- XRTGO (April 2019)
- Thinking Digital (May 2019)
- Global Wind, London (June 2019)
- Northern Exposure (September 2019)
- NEAA Expo (September 2019)
- MIPIIM UK SUMMIT (October 2019) – report attached
- Offshore Wind North East (November 2019)
- Eimersive Irish Immersive Tech Dinner (December 2019)
- North East Built Environment Conference (Jan 2020).

The INEE team has also agreed to sponsor / exhibit at the following upcoming events:

- Shared Services Leaders' Summit (March 2020)
- MIPIIM Cannes (March 2020).

### 1.9 **Lead Generation Contract**

1.10 The sourcing of completely new leads for the North East is a vital part of INEE's activity, adding value to the NECA's local authorities' own activities. In 2019 INEE entered in to its second lead generation contract with OCO Global. The contract commenced in July with an amended specification which focuses on:

- Companies in the Financial Professional and Business Services (FPBS) and the digital & technology sectors, which have a base in London, the South East of England, Northern Ireland, or the Republic of Ireland, and who would consider the INEE area as a potential area for re-location or opening a new facility
- UK-based advanced manufacturing companies operating in one or more of the North East's key manufacturing sub sectors including:
  - automotive (especially electrical vehicles and supporting technology companies, including R+D functions)
  - energy (including offshore wind technologies)
  - food and drink.

Whilst these are the primary target sectors/markets, projects outside of these broad sectors, but in line with any of INEE's other key sectors, will be sought.

## Leadership Board

The five key sectors are:

- Digital and Tech
- Energy
- Life Sciences
- Automotive and Advanced Manufacturing
- FPBS.

In addition to this external lead generation activity, in September 2019, INEE appointed a graduate intern to identify further leads in the key sectors, utilising a range of tools and databases. The intern has made good progress and several conversations are ongoing with potential leads.

### 1.11 **Working with the Department of International Trade (DIT)**

#### 1.12 ***DIT National Sector Team briefings***

1.13 In the past 12 months INEE briefed the national DIT teams responsible for Life Sciences, Energy & Infrastructure and Digital. These briefings are one way in which INEE and other partners ensure the DIT national teams have an up to date understanding of North East capabilities and opportunities in key sectors.

#### 1.14 ***Northern Powerhouse Key Account Management Programme***

1.15 INEE continue to manage the DIT Key Account Management Contract. The contract in the North East is performing very well. Account Managers across the local authorities are identifying new projects on a monthly basis with a number of key successes already this year.

## 2.0 **Local Industrial Strategies**

2.1 The Government has requested that LISs are developed by LEPs – and in some cases Mayoral Combined Authorities – and submitted for refinement and eventual approval. Guidance published by Government in October 2018 highlighted that “Local Industrial Strategies will be long-term, based on clear evidence and aligned to the National Industrial Strategy”.

2.2 We are currently awaiting further announcements from Government about the future of Local Industrial Strategies.

#### 2.3 ***The NELEP Local Industrial Strategy***

2.4 Much work has been done to develop a NELEP LIS which is being developed in partnership and facilitated by the NELEP team. NECA has representation on both the Steering Group and the Working Group. A draft has been approved by the NELEP

## Leadership Board

Board and submitted to Government. This work has been paused while we await further word from Government.

### 3.0 European Structural and Investment Funds (ESIF)

3.1 The European Structural and Investment Fund (ESIF) programme continues to be delivered in the North East. The region is split into two areas: (1) More Developed (Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland); and (2) Transition (County Durham). An update on European Regional Development Fund, European Social Fund and European Agricultural Fund for Rural Development is provided below.

### 3.2 *European Regional Development Fund (ERDF)*

3.3 The notional allocation for the More Developed area is £176.9m, and in the Transition Area is £86.3m; a total for the NELEP area of £263.2m. Following the latest calls for projects which closed on 30 September 2019, the North East LEP Area ESIF Committee has now provisionally allocated all ERDF grant. It should be noted that while c.£179m of grant is legally committed/at contracting stage, the remaining grant allocation to projects is subject to full appraisal and due diligence, and therefore may result in the attrition of some projects.

3.4 Following this latest call over 30 pipeline projects have been invited to develop full applications or project change requests (for extension projects) across the three priority axes listed below:

- Priority Axis 1 Promoting Research and Innovation
- Priority Axis 3 Enhancing the Competitiveness of SMEs
- Priority Axis 4 Supporting the shift towards a Low Carbon Economy in all sectors.

3.5 The Government has confirmed that it will guarantee funding for ERDF projects that are contracted by the end of 2020. All contracted ERDF projects must be completed by the end of the programme period, 30 June 2023. Each application for ERDF will be required to demonstrate that it delivers good value for money and domestic strategic priorities.

3.6 It is intended that any ERDF grant not allocated through further North East LEP area calls will be recycled into the Reserve Fund which is being set up to ensure that the UK makes best use of remaining programme funds up to 2023. MHCLG is expected to confirm the arrangements for an ERDF Reserve Fund shortly.

### 3.7 *European Social Fund (ESF)*

## Leadership Board

- 3.8 Across the NELEP area there is a notional allocation of £224.7m (More Developed £161.3m, Transition £63.4m). As at September 2019, c.£97m has been legally committed in the More Developed area (60%) and c.£52m in the Transition area (82%). Subject to take-up and projects progressing to the contracting stage, it should be noted that commitment levels, including the pipeline applications and live/future calls, could increase to c.97% in the More Developed area and 110% in the Transition area.
- 3.9 The increase in commitment levels for ESF reflects the considerable technical assistance support reported previously, particularly in relation to the Skills for Growth call which closed in August 2019, and the two Inclusive labour market calls which closed in September 2019 and December 2019. In addition, the commitment figures also reflect recent extensions to the National Lottery Community Fund (previously Building Better Opportunities programme) co-financed projects.
- 3.10 The latest ESF Inclusive labour market call for projects issued in September 2019 generated considerable interest from applicants resulting in an overbid of c.£8m ESF. These projects are currently being appraised by DWP.
- All ESF projects must be completed by December 2023 (projects must be completed no later than 3 years and 6 months after the proposed project start date).
- 3.11 A new ESF call for projects was launched in December 2019 in order to deploy approximately £10m of the remaining ESF allocation under Priority Axis 2 Skills for Growth. A regional event to identify potential projects is being planned by the North East Technical Assistance project. The deadline for full applications is 3 March 2020.

The activities proposed in this call will focus around the following areas:

- Support for Management, Leadership and Enterprise skills - Support skills provision that delivers an increase in business starts targeted at the smart specialisation and growth sectors; pre-start support; entrepreneurial skills development; and training for innovators throughout their academic and business careers
- Support for employer led skills activities - Focused on SMEs in smart specialisation and growth sectors
- Support skills development for the workforce - Develop skills, including for those newly employed/ low skilled and those facing redundancy; enabling progress or sustainment in work. Focus on low skilled, tackling barriers to employment. Skills refresh e.g. IT skills/specific qualifications to address gaps in emerging technologies

## Leadership Board

- Support for industry specific intermediate and high-level skills that respond to employer demand and offer flexible responses to emerging and projected skills needs - Focused on smart specialisation and growth sectors.

3.12 As with ERDF, any ESF grant not allocated through further North East LEP area calls will be recycled into the ESF Reserve Fund, overseen by DWP, set up to ensure that the UK makes best use of remaining programme funds up to 2023.

### 4.0 Strength in Places Fund

4.1 Previous updates have provided information on the Strength in Places Fund (SIPF).

4.2 In Wave 1 twenty-three bids across the UK were invited to develop full stage bids for submission by 18 September 2019. Two of these bids are in the NECA area: North East Cluster for Healthy Ageing and Independent Living (NE-CHAIN) led by Newcastle University, and the Centre for Sustainable Advanced Manufacturing (CESAM) led by the University of Sunderland.

4.3 It is expected that the outcome of SIPF Wave 1 bids will be announced in spring 2020.

Strength in Places Wave 2 was launched in May 2019 with the deadline for Expressions of Interest (EOI) on 9 October 2019. The North East Local Enterprise Partnership have advised that they are aware of four EOIs from the North East and are with Government for appraisal – these are:

- International Centre for Connected Construction
- Net Zero Heat
- Farm Zero
- Next Generation Text: Poetry, Literature, Literacy and Publishing.

EOI awards will be announced from June/July 2020. Selected proposals will enter a bid development stage in which up to £50K seedcorn funding will be awarded to support development of full business cases over 6 months.

### 5.0 Brexit

5.1 There was much Brexit preparatory activity at local and regional levels in the lead up to the March and October 2019 Brexit deadlines. Following the General Election in December plans are being taken forward to ensure the UK leaves the EU on or before 31<sup>st</sup> January 2020. The national and regional arrangements for No Deal Brexit preparation have officially been stood down.

### 5.2 *BEIS Readiness Structure*

## Leadership Board

5.3 There continues to be consultation on business readiness for Brexit and in anticipation of future trade deals.

### 5.4 ***NE Brexit Group***

5.5 The cross-partner North East Brexit Group continues to meet and provides a forum for sharing intelligence across sectors. This information and intelligence has informed action such as the Brexit Toolkit on the Growth Hub, as well as the Work Programme.

5.6 The focus of the group is now on opportunities post-Brexit and preparations in the light of potential trade deals with the EU and other nations/trading areas.

## 6.0 **EDDAB Review**

6.1 At the meeting of the Economic Development and Digital Advisory Board on 26 November 2019, members discussed the suggested changes to the Board's way of working that the review had generated.

6.2 The Board agreed to implement the suggestions put forward. While some of these will need further thought and the development of ways and mechanisms to implement them successfully, those that have been put in place are:

- Tangible and concrete outcomes to be passed by the Chair of EDDAB to the NELB
- The Chair's team has begun to monitor the work of other regional bodies to establish impacts and interdependencies
- At a future meeting, the Leadership Board will be asked to agree to the co-opted members of the EDDAB nominating substitutes who may attend meetings on their behalf
- The presentation of reports at meetings will be shorter to allow members more time to discuss issues and implications
- Information relevant to EDDAB is being shared with members in-between meetings rather than waiting for the next meeting to take place.

6.3 Work will continue on the remaining suggested changes and progress will be reported to future meetings.

## 7.0 **Reasons for the Proposals**

7.1 This report provides an update on Economic Development and Digital theme.

## **Leadership Board**

### **8.0 Alternative Options Available**

8.1 There are no alternative options associated with this report.

### **9.0 Next Steps and Timetable for Implementation**

9.1 A further update will be provided to the Board at subsequent meetings.

### **10.0 Potential Impact on Objectives**

10.1 The activities under the Economic Development and Digital theme will support NECA in its aims to promote economic growth and regeneration in the area.

### **11.0 Financial and Other Resources Implications**

11.1 There are no financial or other resource implications directly associated with this report as it is for information only.

### **12.0 Legal Implications**

12.1 There are no legal implications arising from this report.

### **13.0 Key Risks**

13.1 There are no specific risk management issues arising from this report.

### **14.0 Equality and Diversity**

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

### **15.0 Crime and Disorder**

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

### **16.0 Consultation/Engagement**

16.1 There are no specific consultation and engagement issues arising from this report.

### **17.0 Other Impact of the Proposals**

17.1 There are no further impacts arising from the proposals.

### **18.0 Appendices**



## Leadership Board

18.1 Invest North England, MIPIM UK Summit Debrief.

### 19.0 Background Papers

19.1 None.

### 20.0 Contact Officers

20.1 Vince Taylor, Assistant Director of Economic Policy, Sunderland City Council,  
[vince.taylor@sunderland.gov.uk](mailto:vince.taylor@sunderland.gov.uk)

### 21.0 Sign off

- 21.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

### 22.0 Glossary

22.1 None.



## Leadership Board

## Appendix 1

### Invest North East England MIPIM UK Summit 14<sup>th</sup> – 15<sup>th</sup> October 2019

#### Overview

MIPIM UK SUMMIT took place at a new venue in 2019, Old Billingsgate Market, London on 14<sup>th</sup> – 15<sup>th</sup> October 2019 and Invest North East England (INEE) attended with the Local Authorities plus numerous delegates from five private sector partners:

- Hanro Group
- Highbridge Properties Ltd
- Naylor's Gavin Black
- Knight Frank
- Newcastle International Airport (did not attend MIPIM but sponsored event)

The **INEE stand** (20m<sup>2</sup>) was one of only four stands at MIPIM UK SUMMIT and located in the premium area. It accommodated two meeting areas, an informal breakout area, storage space plus tea/coffee making facilities. During the two-day event, INEE hosted a business showcase event and a drinks reception.

The **business showcase presentation**, held on Tuesday 15<sup>th</sup> October in the Fish Market room, was entitled *Building a bright future for County Durham*.

Speakers were:

- Peter Rippingale, Business Durham
- Guy Marsden, Highbridge Properties Ltd

A **drinks reception** was held on the stand on Monday 14<sup>th</sup> October. The regional drinks supporters for 2019 were Maxim Brewery (Sunderland), Laneberg Wine (Gateshead) and Durham Gin (Durham).

To support the North East offer, INEE produced a **Development Opportunities Brochure** which showcased key development and investment sites in North East England. The brochure included city centre, out of town and Enterprise Zone developments to illustrate the diverse investment sites on offer in the region.

A **video** was also created and played on a loop on the INEE stand. The video reinforced the key messages of the Development Opportunity Brochure.

An additional Overview Video showcasing the North East as a business location was also showcased at MIPIM UK. This re-enforced the region's key messages and sector specialisms.

INEE Director, Guy Currey presented key North East Development Opportunities to a group of Chinese Investors in a private presentation hosted by the DIT Minister for Investment.

## Leadership Board

To complement the above, the INEE team produced marketing collateral to enhance and promote the key events, hosted by INEE:

- A5 Flyer for Business Showcase and Drinks Reception (this was also produced as a HTML version)
- Press Release
- E-mail footer and pictures for Social Media
- Branded INEE Cups for hot drinks on the stand
- Branded name badges for delegates
- INEE team updated the Development Opportunities section of the INEE website with new content and promoted via social platforms throughout the event
- Social Media posts using #MIPIMUK to promote INEE pre-event and throughout the two days
- A communication plan was shared with private partners and local authorities (marketing teams) to further leverage key selling messages throughout the event.

### **Feedback from partners following MIPIM** **Lead Generation / Return on Investment**

Feedback from Partners as to the **value of MIPIM** and what they achieved:

- “For our business it was important to be part of the wider INEE team and help promote the region as best possible. We are on a number of schemes that were promoted at MIPIM UK but had no specific meetings. We did meet some other professionals in the two days that may lead to something”
- “For individual contact it was actually better this year.”
- “We did have a number of useful meetings and follow up conversations. The number of meetings and discussions were in line with an organised programme of meetings to London outside of the event.”
- “Main benefit for me was the discussions at the event and outside with Agents. Picked up some interesting intel and improved/cemented relationships.”

### **Specific Feedback relating to INEE stand / events** **Stand**

<b><u>Positives</u></b> <ul style="list-style-type: none"> <li>• The location and size of the stand was perfect</li> <li>• “Best stand at the venue”</li> <li>• The stand was striking and benefitted greatly from the location and the fact that it was the only region with such a presence.</li> </ul>	<b><u>Negatives:</u></b> <ul style="list-style-type: none"> <li>• Remove the small step up to the stand</li> <li>• A tweaked bar area as it did get a little messy/ crowded during the drinks reception</li> </ul>
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## Leadership Board

<ul style="list-style-type: none"> <li>The design was clean and in line with branding and the set up allowed for networking.</li> </ul>	
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## Development Opportunities Brochure + Video

<b>Positives:</b> <ul style="list-style-type: none"> <li>Great visuals in the brochure reinforced with the stand made it better</li> <li>Useful tool for the region</li> <li>Very professional and gave a good overview of what the North East has to offer and across many sectors</li> </ul>	
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## Business Showcase

<b>Positives:</b> <ul style="list-style-type: none"> <li>Very good. Thought Peter did a tremendous job.</li> <li>Those who attended did comment how useful it was to hear of developments in Durham.</li> </ul>	<b>Negatives:</b> <ul style="list-style-type: none"> <li>Poor turnout of delegates from outside the region</li> </ul> <b>Recommendations:</b> <ul style="list-style-type: none"> <li>More proactive targeting of invitees next year prior to MIPIM UK</li> </ul>
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## Drinks Reception

<b>Positives:</b> <ul style="list-style-type: none"> <li>Very impressed by the number of people attended</li> <li>"Best so far due to location and profile of stand"</li> <li>The drinks reception was busy and allowed a good opportunity for North East and non-North East delegates to chat.</li> <li>Given INEE had the only regional stand it did well in drawing in a wide audience and provided a focal point for networking.</li> <li>Timing was good as it was early enough to attract people and</li> </ul>	
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## Leadership Board

engage with them earlier but still gave people time to speak to us on the day and then also the following morning	
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### Additional Observations from MIPIIM

- Venue much better located and more personable than previous years. Limited offering in the venue for food but the offsite locations close by made up for that.
- The new location and format of MIPIIM UK is definitely an improvement on past years, although there was still a lack of some main investors/ developers. Being in London it is hard to keep the London-based companies in one place for too long and those that did attend, stayed only briefly.
- Would have loved to see private, invite-only event somewhere outside of the conference to showcase the region.
- For future events, it may be worthwhile trying to place some of our attendees on other panels to drive interest as well as working on driving a wider audience for our sessions.

### Initial Discussions for 2020 MIPIIM UK Planning

If INEE was to exhibit and take a lead for 2020, some high-level discussion points need to be addressed at the initial planning stage:

- **Stand:**
  - INEE would like to secure a similar stand space for future events. Overall the size / general layout work well but a refreshed appearance is required
- **Business Showcase:**
  - INEE and partners need to be more proactive in attracting more delegates to the business showcase event. *Possibly drafting a bespoke invitation to a targeted delegate list prior to MIPIIM UK 2020?*
- **Evening Event:**
  - INEE and partners need to discuss the possibility of organising an external event. This was initially discussed for 2019 with Developing Consensus and is something that partners would like to progress for 2020.

## Leadership Board

### Press and Social Media Coverage:

#### Press Release:

[DEVELOPMENT OPPORTUNITIES IN NORTH EAST ENGLAND TO BE SHOWCASED AT UK'S LARGEST PROPERTY EVENT, MIPIM UK SUMMIT](#)

- Featured on regional website news outlets
- Featured on websites via Local Authority Partners and Converge Today (media platform)

#### Social Media:

##### Twitter:

Twitter Impressions from 14/10-15/10 were 9.9k and engagement rate at 1.7% with 16 retweets and 80 likes.

time	Tweet text	impressions	engagements	retweets	replies	likes	user profile clicks	url clicks	hashtag clicks	detail expands
2019-10-15	The three massive developments that will change #Newcastle city centre #MIPIMUK #investnortheast <a href="https://t.co/ACEYlr4PgD">https://t.co/ACEYlr4PgD</a>	1398	39	4	0	14	0	21	0	0
2019-10-15	Last afternoon of #MIPIMUK There is still time to visit the #investnortheast stand (S08) and speak to the team and our partners about investment and development opportunities in #NorthEast England <a href="https://t.co/nZy5mMY4CU">https://t.co/nZy5mMY4CU</a> <a href="https://t.co/igSiXzVkUO">https://t.co/igSiXzVkUO</a>	663	10	1	0	4	0	0	0	2
2019-10-15	At #MIPIMUK? Join the #investnortheast team today at 10:45am for our Business Pitch session (Fish Market Room) to hear about the Development Opportunities available in #CountyDurham presented by @BusinessDurham and @HBPLC <a href="https://t.co/N0en5Uksh9">https://t.co/N0en5Uksh9</a>	1127	11	2	0	6	1	0	0	0
2019-10-15	Do you want to know about development opportunities in the #Northeast? Visit #investnortheast stand (S08) at #MIPIMUK and pick up one of our brochures. <a href="https://t.co/nZy5mMY4CU">https://t.co/nZy5mMY4CU</a>	994	15	2	0	9	0	4	0	0
2019-10-14	Our drinks reception at #MIPIMUK is underway Visit our stand (S08) to have some North Eastern drinks and chat to the team #investnortheast <a href="https://t.co/3OQhLHHkcW">https://t.co/3OQhLHHkcW</a>	1811	73	4	0	13	2	2	2	9
2019-10-14	At #MIPIMUK? Join us at the #investnortheast stand (S08) from 3:30pm today for our drinks reception. Taste some locally sourced drinks provided by @DurhamDistilUK, @LanebergWine and @MaximBrewery	517	7	0	0	3	2	0	0	2
2019-10-14	At #MIPIMUK today? Drop by our stand (S08) and speak to the #investnortheast team about development opportunities in North East England <a href="https://t.co/WtPgqR29Z0">https://t.co/WtPgqR29Z0</a>	987	10	1	0	6	0	0	0	1
2019-10-14	Sumitomo Announced as First Tenant at @JadeParkDurham in County Durham #Investnortheast #moreandbetterjobs <a href="https://t.co/1HnY5kflf0">https://t.co/1HnY5kflf0</a> <a href="https://t.co/8uBOTshp6C">https://t.co/8uBOTshp6C</a>	521	16	0	0	9	0	2	0	4
2019-10-14	Interested about finding out about #NorthEast #investment opportunities? Come and see us at #MIPIMUK on the #InvestNorthEast stand S08 (14-15 Oct) <a href="https://t.co/nZy5mMY4CU">https://t.co/nZy5mMY4CU</a> <a href="https://t.co/7eBMhw56yl">https://t.co/7eBMhw56yl</a>	1852	32	3	1	10	0	3	0	10

##### Linkedin:

- Maintained a presence on LinkedIn with MIPIM UK, posted in reference to Press release and Business Showcase / Drinks reception however focus remained on Twitter for posting during event

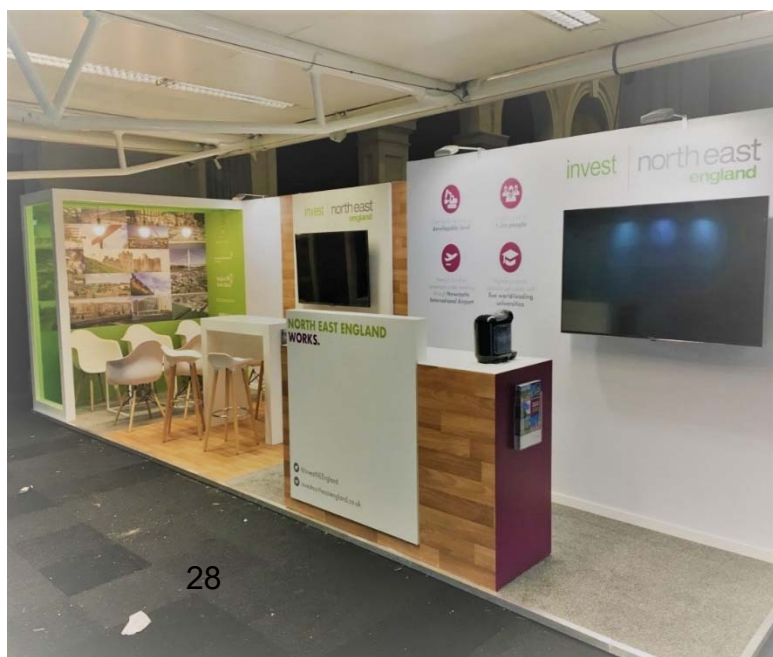
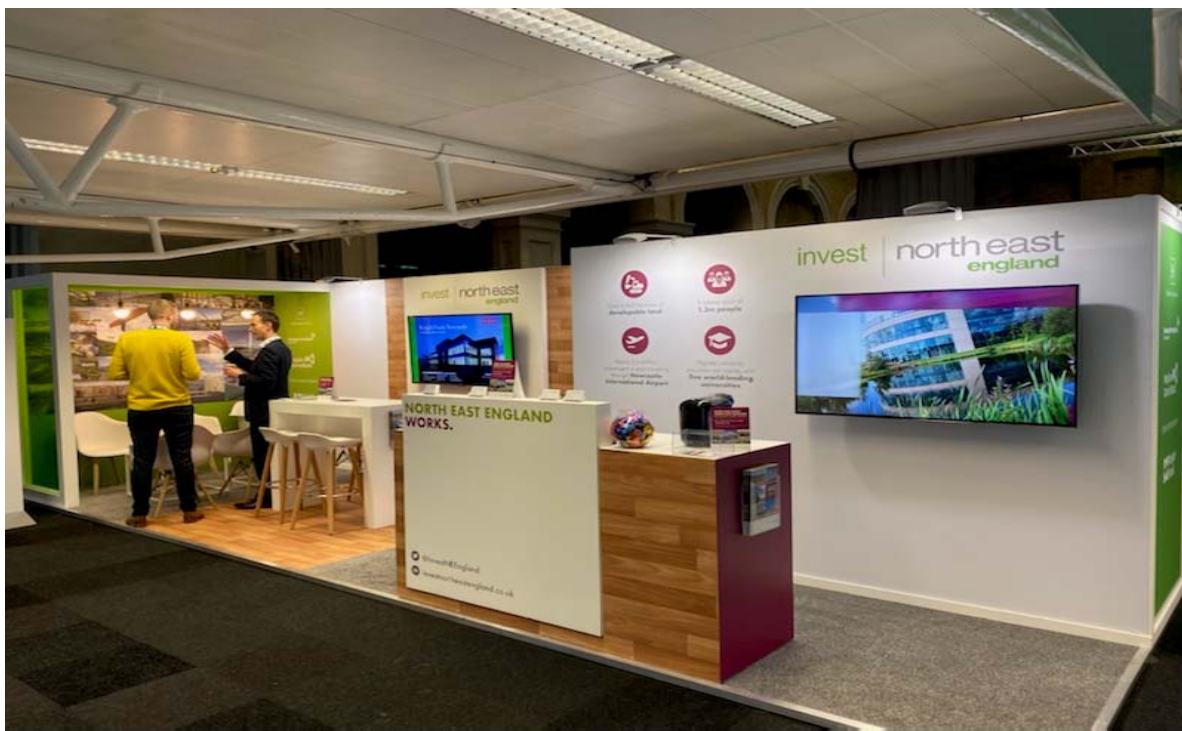


## Leadership Board

### Website:

- INEE website traffic throughout MIPIM UK was constant
- The development opportunity page on the website was specifically developed for MIPIM UK and updated for 2019 – this was one of the top pages viewed throughout October and was supported via social media campaigns during the month

### Appendix A – INEE Stand



## Economic Development and Digital Advisory Board

### Appendix B - Press release

October 2019

News release

### **Development opportunities in North East England to be showcased at UK's largest property event**

Invest North East England, along with public and private sector partners from across the region, will be showcasing a range of development opportunities available in the North East at the UK's largest exhibition and conference for property professionals.

MIPIIM UK Summit, which takes place on 14 & 15 October at Old Billingsgate Market in London, attracts thousands of potential investors and top-level real estate professionals from all over the world interested in major development projects taking place across the UK.

Joining Invest North East England at the event will be representatives from the seven regional Local Authorities and private sector partners including Newcastle International Airport, Naylor's Gavin Black LLP, Knight Frank, Hanro Group and Highbridge Properties Plc.

Together they will be highlighting development opportunities in North East England including Giants on the Quayside in Newcastle, Milburngate in Durham and the IAMP (International Advanced Manufacturing Park) in Sunderland/South Tyneside.

Guy Currey, Director at Invest North East England, said: "We're sending a really positive message to UK and foreign investors that public and private sector confidence is high in North East England.

"The region is pushing forward with nationally significant projects that will boost our economy, attract investment, increase tourism and create more and better jobs.

"We're seeing the next wave of major infrastructure developments that will put North East England on the map."

Patrick Matheson, Director, Knight Frank, said:

"Knight Frank are absolutely delighted to be a partner of Invest North East England and attending MIPIIM UK Summit. The North East has so much to offer both investors and real

## Economic Development and Digital Advisory Board

estate occupiers and we are really looking forward to promoting the region and all the fantastic opportunities it presents.”

As well as hosting a stand at the exhibition, Invest North East England is holding a pitch session that will focus on development opportunities available in County Durham. Investors will also be invited to join local partners for a drinks reception at the Invest North East England stand, where they'll have the opportunity to sample locally sourced produce including Durham Gin, beers from the Maxim Brewery and wine from Laneberg Wine, Tyneside's first winery.

Invest North East England works in partnership with the region's seven local authorities to help businesses locate or expand in North East England. Focusing on the region's sector strengths, it helps businesses access UK Government, support agencies, sector specialists, universities, colleges, knowledge networks, finance streams and business organisations so they can locate, grow and prosper in the region.

For more information, visit [www.investnortheastengland.co.uk](http://www.investnortheastengland.co.uk).

MIPIIM UK Summit takes place on 14 & 15 October in London. To find out more about the event, visit [www.mipimuk.co.uk](http://www.mipimuk.co.uk).

**-ENDS-**



## Economic Development and Digital Advisory Board

### Appendix C – A5 Double-sided Flyers

**BUSINESS SHOWCASE**  
Tuesday 15th October, 10.45am – Fish Market Room

**Building a brighter future for County Durham**



County Durham offers a host of unique investment opportunities and development sites. All offer superb access to major transport networks and links to high-tech R&D facilities which are underpinned by a skilled and committed workforce. A combination of private and public sector investment has created a comprehensive range of development opportunities throughout the county.

Join Invest North East England, Business Durham and Highbridge Properties as we look at why County Durham offers tremendous investment and development opportunities.

**Speakers** – Peter Rippington, Business Durham and Guy Marsden, Highbridge Properties.

invest | northeast  
england

**B** Business  
Durham

**DRINKS RECEPTION**  
MONDAY 14TH OCTOBER, FROM 3.30PM  
STAND S08 – INVEST NORTH EAST ENGLAND



You are invited to join us and our partners for a drinks reception on our stand (S08) to discuss development opportunities in North East England and sample some locally produced beverages.

Don't forget to submit your business card to the free prize draw – a fantastic bottle of Durham Gin to be won.

Drinks sponsors:

invest | northeast  
england

GIN MAXIM THE BOTTLED

H Newcastle International  
Highbridge Properties

Regions  
Gavin Black

THE HANRO GROUP

Knight  
Frank

## Economic Development and Digital Advisory Board

### Appendix D – Photos of the event



## Leadership Board

### Agenda Item 7

**Date:** 4 February 2020

**Subject:** Transport Thematic Lead Portfolio Update Report

**Report of:** Thematic Lead for Transport

### Executive Summary

The report provides an update on various transport matters of relevance to the NECA area.

### Recommendations

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

## **1. Transforming Cities Fund**

- 1.1 We are waiting to hear the outcome of the final Transforming Cities Fund bid which has asked the government for up to £394m of funding for transport improvements in the North East.

## **2. Transport Plan**

- 2.1 Work is progressing on the North East Transport Plan, covering both the NTCA and NECA areas. This will include a new bus strategy.

## **3. Rail**

- 3.1 The seven authorities continue to work together to press the government to invest in the East Coast Main Line in the North East. The North East is continuing to make the case for greater control and accountability over the specification and operation of local rail services.
- 3.2 Through the North East Rail Management Unit, Northern are developing proposals to operate a Northern 'Connect' service on the Durham Coast Line. A limited number of additional services became operational in December 2019, further work is required to enable a full hourly 'express' service to operate.
- 3.3 A new TransPennine Express service from Newcastle to Edinburgh started in December 2019 by extending the Liverpool to Newcastle service and using new bi-mode trains. However significant problems occurred following the timetable changes, with a high number of services temporarily withdrawn. These initial short-term service reductions have not stabilised the new timetable and a further reduction took place with effect from the 6<sup>th</sup> January until the end of the month. In all 32 services a day have been deferred from the original planned timetable. TfN are closely monitoring the impacts and seeking a full service complement as soon as practicable once the whole network has stabilised. Cllr Marshall (JTC representative on the Rail North Committee) has issued a press release expressing the North East's dissatisfaction.

## **4. Road**

- 4.1 Transport for the North are leading on the refresh of the Major Roads Report which will provide useful evidence for the future management, maintenance and improvement of the major roads network in the area.

## **5. Metro**

- 5.1 Nexus' Final Business Case (FBC) for the Fleet Replacement Programme for the metro was endorsed by DfT's Board Investment Commercial Committee (BICC) on 11th November 2019.

## **6. Proposals**

- 6.1 This report is for information purposes only. Therefore, no decisions contained in this report.

## **7. Reasons for the Proposals**

- 7.1 This report is for information purposes only.

## **8. Alternative Options Available**

- 8.1 Not applicable to this report.

## **9. Next Steps and Timetable for Implementation**

- 9.1 Timetables are set out as appropriate in relation to the individual items in the sections above.

## **10. Potential Impact on Objectives**

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

## **11. Financial and Other Resources Implications**

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

## **12. Legal Implications**

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

### **13. Key Risks**

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

### **14. Equality and Diversity**

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

### **15. Crime and Disorder**

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

### **16. Consultation/Engagement**

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

### **17. Other Impact of the Proposals**

- 17.1 No specific impacts

### **18. Appendices**

- 18.1 Not applicable

### **19. Background Papers**

- 19.1 Not applicable

### **20. Contact Officers**

- 20.1 Sheena Ramsey

### **21. Sign off**

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

### **22. Glossary**

- 22.1 None

## Leadership Board

### Agenda Item 8

**Date:** 4 February 2020

**Subject:** Finance, Skills & Employability - Thematic Update

**Report of:** Corporate Director

### Executive Summary

This report seeks to provide an update on current Finance, Skills and Employability portfolio activity and the baseline position for a future 'Skills & Employment' ask for the North East Combined Authority.

Local Government financing remains an issue for careful review with the forthcoming Comprehensive Spending Review scheduled to report in the near future.

Skills and Employment considerations builds on the wide-ranging activity already underway and provides an opportunity for the Combined Authority to take a lead of Employment & Skills services in the coming years.

Central to the Skills and Employability agenda are the issues of financing particularly the reliance on external funding as we approach the final stages of the current European Structural Investment Fund programme with little detail as yet as to the operation of the UK Shared Prosperity fund, alongside ensuring the ongoing development of good partnership and inter authority working arrangements that have been developed.

### Recommendations

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



## Leadership Board

### 1. Background Information

- 1.1 Further to the agreed portfolio leads and the update provided to the Leadership Board in September, activity continues to progress all aspects of the Finance, Skills and Employment needs and opportunities across NECA. Identification of the main issues and progress being made under each element is as follows:

### 2. Finance Theme

- 2.1 The spending round and provisional settlement have set out funding for 2020/21 financial year, however longer-term funding for local authorities will not be known until the outcome of the comprehensive spending review which is expected to be published towards the end of 2020

### 3. Skills Theme

#### 3.1 Queens Speech

One of the key skills aspects covered by the Queens speech in December 2019 was the confirmation that the Government is committed to investing £3 billion into a new National Skills Fund over the course of Parliament.

- 3.2 The National Skills Fund is seen as part of a first step towards a “Right to Retrain”. A manifesto commitment seeks to invest £600 million a year, £3 billion over the Parliament, into the Fund. This is identified as new funding on top of existing skills funding, with initial suggestions indicating this funding will support a range courses including apprenticeships, with a proportion of the Fund to be reserved for further strategic investment in skills.

- 3.3 The manifesto included a commitment to consult widely on the design of the Fund, with the Treasury set to consult on the final design of the Fund to ensure that the money is invested wisely and delivers the best possible outcomes for individuals and businesses. The full details will be set out in the first Spending Review of the new Government

#### 3.4 Skills Advisory Panel (SAP)

There are some suggestions following the Queens speech that secondary legislation, a FE bill could be brought forward.

- 3.5 One of the issues identified for inclusion for such a bill are the Skills Advisory Panels (SAPs). Introduced after the 2017 election, SAPs currently operate in Mayoral Combined Authority areas or linked to Local enterprise Partnerships. The focus so



## Leadership Board

far has been on undertaking Labour Market Analysis, however moving forward it is thought SAPs could have an increasing role over deciding which courses are run, with SAPs providing critical advice to national and local government over the sectors prioritised in their region. SAPs could, for example, advise that the government prioritise funding for classroom and apprenticeship engineering courses at the expense of courses in media and the arts.

### 3.6 Adult Participation in Learning Survey 2019

The annual report by the Learning and Work Institute (<https://www.learningandwork.org.uk/wp-content/uploads/2019/12/2019-Participation-Survey-Report.pdf>) provides an evidence base on who participates in learning, their motivations, barriers and benefits experienced.

- 3.7 The 2019 Adult Participation in Learning Survey records the lowest participation rate in the 23-year history of the survey. It is the third year in a row in which the participation rate has fallen to a record low. Just one third (33 per cent) of adults say that they have participated in learning during the previous three years, with the current rate eight percentage points lower than the 41 per cent recorded in 2015.
- 3.8 There are persistent inequalities in learning, with the adults who could most benefit from participating in learning being the least likely to do so. Those in lower social grades, those with fewer years of initial education, and those furthest from the labour market remain under-represented in learning.
- 3.9 Current participation remains a strong predictor of future learning. More than three in four learners (77 per cent) say that they are likely to engage in learning again in the next three years, compared with just 17 per cent of those who have done no learning since leaving full time education. With 61 per cent of all adults saying that they are unlikely learn over the next three years, a substantial challenge remains if we are to reverse the decline in participation and encourage more people to invest in the development of their skills and knowledge.
- 3.10 **T Levels**  
Providers can now bid to deliver T-Levels in the third year of their roll out. Expressions of interest have been invited from high performing providers who want to deliver the new technical qualifications for 16 to 18 years old in 2022-23.
- 3.11 Eight new T-Levels, in sectors including legal, accounting and manufacturing, will be available in addition to the ten T-Levels that will be on offer from 2020-21. Fifty providers are due to deliver the first wave of T-Levels from September 2020.

## Leadership Board

### 3.12 National Apprenticeship Week

The Government priority around apprenticeships continues. A new TV advertising campaign aimed at businesses “Fire it Up” commenced in January as preparations for National Apprenticeship Week (3-9 February) continue. This year’s programme of events extends into the weekend and includes a business focus around the theme of ‘Making Impact’.

## 4. Employment Theme

### 4.1 National Retraining Scheme

With brief details released to date, the trade body the Association of Employment & Learning Providers (AELP) recently published a paper “Tackling the adult skills gap, promoting lifelong learning and combatting the consequences of growth in automation. The AELP blueprint to making the National Retraining Scheme (NRS) a success.”

4.2 This paper builds on the government commitment to establishing a new National Retraining Scheme (NRS), noting that the NRS has the potential to help provide the vital missing pieces of the national skills strategy puzzle to not only help with the creation of a more coherent adult skills strategy, but provide the support to fill the void created by the never ending exponential growth of technology impacting in the workplace.

4.3 In doing so, the AELP highlight three areas the NRS should address:

- the impact of automation on existing jobs and *the need for employees to retrain and keep their skills and knowledge both current and up to date*. AELP highlight employers needing to be heavily involved in tackling this. On this basis AELP propose that there is no direct government subsidy to fund this training, although they suggest employers could still be incentivised through other routes, such as tax breaks and similar incentives.
- *jobs being lost as a result of automation*. In these scenarios there is a stronger argument and rationale for government to provide a level of direct support for these workers alongside employers. AELP propose that government and employers share the investment requirements, with government funding 50% of the provision and employers funding the other 50%.

## Leadership Board

- *individuals stuck in low skilled, low value jobs were the individuals struggle to progress.* In these scenarios the AELP believe there is strongest rationale for government to directly support these individuals as employers are less like to want to invest in these workers. In times of “full employment” it is right to fund the retraining of the existing workforce, rather than those out of work as this is the only way to meet skills demand and beneficial to society and productivity. On this basis the AELP propose that government should cover 100% of the cost of retraining.

### 4.4 **Sharing Prosperity – building better employment support for the UK**

The Employment Related Services Association (ERSA) a sector membership body has recently released a report setting out how the UK Shared Prosperity Fund can best serve communities across the UK.

4.5 The report highlights that as the UK prepares to leave the EU, there is widespread concern throughout the employment support sector about whether funding currently received from the EU via the European Social Fund (ESF) will be replaced effectively by the UK Shared Prosperity Fund. And, if it is replaced, whether the scale and focus will enable the new fund to continue to provide the vital employment, skills and social inclusion services that ESF currently funds to help some of the most disadvantaged people and communities.

4.6 In highlighting the concerns, ERSA seek five commitments:

- New funding to ensure the UK achieves its post Brexit potential by providing support for disadvantaged groups and communities that often fall through the gaps of existing state provision.
- Funding for employment and skills support allocated from the new fund must not fall below levels that would have been received through ESF funding had the UK remained in the EU. If devolution is to play a significant role in the successor initiative, a minimum spend level should be set for local areas to spend on ESF orientated programmes.
- There will be no funding gap between the closure of EU ESF funding and the distribution of new funding to ensure there is no permanent loss of expertise, infrastructure or partnerships for frontline organisations and consequently, vital support for disadvantaged jobseekers and learners.
- The new fund must offer more flexibility and less bureaucracy to enable a broad range of expert providers to access it. This should be supported by a mix of short- and long-term contracts to facilitate innovation alongside stability.
- The new fund is integrated with other funding streams to support people with multiple needs more effectively, this should be achieved at both a national and local level.

## Leadership Board

- 4.7 **DWP Employability & Health related Services Umbrella (EHR SUA)**  
DWP Employability and Health Related Services Umbrella (EHR SUA) procurement is expected at the start of 2020 following a market engagement event at the end of 2019. The Umbrella Agreement aims to provide employment and health related support services helping people who are unemployed, people with disability, have a health condition or barrier to work to select, train for, obtain and sustain employment.
- 4.8 Only providers accepted onto the umbrella framework are permitted to bid for high value DWP contracts. Under the current exercise, DWP is reviewing the EHR SUA with a view to admitting small and medium size organisations. This would allow them to bid for smaller value contracts.
- 4.9 DWP has said it anticipates issuing an Invitation to Tender for Tier 1 and Tier 2 in January 2020. They will be issuing a further survey and conducting additional market engagement in the coming weeks and they currently anticipate issuing a separate Invitation to Tender for Tier 3 later in 2020.
- 4.10 **Cross-cutting Initiatives/Opportunities**
- 4.11 **ESF Programme**  
North East LEP with the North East Technical Assistance Team and ESF Thematic Group promoted and coordinated six events and workshops in 2019 to stimulate interest in the region's remaining ESF resources under the N+3 programme. In total these events were attended by almost 300 delegates.
- 4.12 For the period October 2018 to October 2019 approximately £97m of ESF resources the region has either been formally approved or is in the process of awaiting contract sign-off or appraising by the Managing Authority (Department for Work and Pensions – DWP), this is across both the More Developed and Transitional Area of the region.
- 4.13 A further £20m ESF bids were submitted on 2 December almost double the 'Call Value' of £11.6m when the call was launched in September. NELEP have asked DWP to prioritise the over-subscription as 'first call' on the 'Reserve Fund' that becomes operational in January 2020 (see below).
- 4.14 A further £10m ESF is in the pipeline for an Open Call launch on 9th December (Skills for Growth), This was published on the DWP website this week with a deadline for completed applications set for 3rd March 2020.

## Leadership Board

<https://www.gov.uk/european-structural-investment-funds/equal-access-to-lifelong-learning-phase-3-north-east-region-oc25s19p1708>

- 4.15 The target sectors for these projects following a gap analysis of the current portfolio of projects for supporting the SME workforce in the region include:

- Energy, Low Carbon, Offshore and Renewables
- Health and Social Care (Social care focus)
- Creative & Cultural Sectors
- Tourism and Visitor Services
- Voluntary Community & Social Enterprise (VCSE) sector

4.16 **Reserve Fund**

There is approximately £9.6m currently uncommitted (under Priority Axis 2 – Investment Priority 2.1), this is scheduled for transfer to the ‘reserve pot’. If fully subscribed this level of funding will take the region above its total ESF ‘notional allocation’ for the North- East programme.

The ability to identify match funding has been identified as the major barrier applicants face.

- 4.17 DWP confirmed in early December that the ‘Reserve Fund’ will be in excess of the £392m identified in the initial letter to LEPs & ESIF Chairs in September. They have asked North East LEP to work with regional partners to come up with a forecast of total ESF fund request for the region from the reserve fund that becomes operational in the New Year.

## 5. Reasons for the Proposals

- 5.1 This report provides members with information about the headline issues being considered across the portfolio.
- 5.2 In respect of the Skills and Employability issues it provides details of the Skills and Employment working group’s starting point in developing an offer for further consideration by the Employment and Skills Board. Furthermore, the scope of the issues will inform future membership and governance proposals for the Employment & Skills Board.

## Leadership Board

### **6. Alternative Options Available**

6.1 This report is for information only.

### **7. Next Steps and Timetable for Implementation**

7.1 Further updates will be provided to the Leadership Board on progress with the Fair Funding Review process as details are released by government.

Employment & Skills issues and opportunities for development remain under development through meetings of the Skills and Employment Working Group.

### **8. Potential Impact on Objectives**

8.1 This report is for information only.

### **9. Financial and Other Resources Implications**

9.1 There are no additional financial implications as this report is for information only.

### **10. Legal Implications**

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

### **11. Key Risks**

11.1 This report is for information.

### **12. Equality and Diversity**

12.1 There are no equality and diversity implications directly arising from this report.

### **13. Crime and Disorder**

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

## Leadership Board

### **14. Consultation/Engagement**

- 14.1 Economic Directors have been fully consulted on the contents of this paper.

### **15. Other Impact of the Proposals**

- 15.1 There are no other impacts arising from this report.

### **16. Appendices**

- 16.1 None.

### **17. Background Papers**

- 17.1 1. Thematic Portfolio Update 3 September 2019

### **18. Contact Officers**

- 18.1 Geoff Paul, Interim Corporate Director Regeneration and Local Services

### **19. Sign Off**

- 19.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

### **20. Glossary**

- 20.1 None.





## Leadership Board

## Agenda Item 9

**Date:** 4 February 2020

**Subject:** Budget 2020/21 and Medium-Term Financial Strategy

**Report of:** Chief Finance Officer

### Executive Summary

This report presents the NECA revenue budget for 2020/21 and indicative estimates for 2021/22 and 2022/23 for consideration and approval. It also presents the decisions made by the North East Joint Transport Committee (JTC) about the transport revenue budget and the Transport Levies for 2020/21 and recommends that the levies be issued to the constituent authorities in NECA in accordance with the decisions of the JTC.

The forecast outturn for 2019/20 is for total expenditure of £689,910 in relation to NECA corporate expenditure and costs relating to the Accountable Body roles for the North East Local Enterprise Partnership (North East LEP) and the JTC. This includes grant funded one-off activity totalling £363,640, which will not be continued into the next financial year. The overall outturn is a break even position in 2019/20.

In 2020/21 the NECA corporate costs are estimated to be £106,230 and the budget for the JTC Accountable Body role is proposed to be set at £86,530. After estimated investment income of £30,000, the level of contributions from constituent authorities is proposed to be maintained at the same level as the current year which results in a net balanced budget position next year after a small contribution from reserves to balance the budget of £1,340. Contributions from the constituent authorities are as follows:

- £22,857 from each of the four constituent authorities in NECA to cover NECA corporate costs; and
- £10,000 from the seven local authorities in the JTC area to cover the JTC Accountable Body role

The NECA corporate costs and budgets for the JTC Accountable Body role primarily covers employee and Service Level Agreement (SLA) charges and regular costs such as independent members' allowances, telecoms charges and meeting expenses. The budget will need to be kept under review for any new areas of work that are identified over and above the budget that is agreed and to take account of inflation and other pressures. A review of all SLA arrangements will be undertaken in the coming year to inform the 2021/22 budget setting round.

## Leadership Board

NECA is currently the Accountable Body for the North East Local Enterprise Partnership (North East LEP). Work is ongoing to finalise the arrangements between NECA, North of Tyne Combined Authority and the seven local authorities regarding the support arrangements provided to the North East Local Enterprise Partnership, Invest North East England and the Joint Transport Committee from 1 April 2020.

This report includes an updated forecast of outturn for 2019/20 and budgets for 2020/21 for the Accountable Body of the North East LEP. The proposals have been prepared in conjunction with colleagues in NTCA.

The report recommends the contributions which will be made to the North East LEP by the Local Authorities in its area be continued at the same level. Work is ongoing to finalise the arrangements between NECA, North of Tyne Combined Authority and the seven local authorities regarding the support arrangements provided to the North East Local Enterprise Partnership. If, and once the accountable body role changes from NECA to NTCA these will be payable to NTCA. Contributions from the constituent authorities are as follows:

- £10,000 from each of the seven councils in the North East LEP area to cover the North East LEP Accountable Body role
- £35,714.29 from each of the seven councils in the North East LEP area, required as match funding to secure £500,000 government grant; and
- £20,000 from each of the seven councils in the North East LEP area to help meet the costs of the Invest North East England team (INEE)

The updated forecast of outturn of expenditure in relation to the North East LEP is £4.665m against an original budget of £4.154m, an in-year increase in expenditure of £0.511m. The additional spending relates to additional grant and other contributions funding work on Brexit preparation activity, skills and business advice during the year. The forecast of outturn is a net deficit of £25,819, which will be funded from reserves. The original budget envisaged a net deficit budget of £397,000, so the outturn is a much improved position, reflecting an increase in external funding including European Social Fund other Government grants in year.

In 2020/21 a gross expenditure budget of £4.908m is proposed for agreement by the North East LEP Board at its meeting on 31 January, 2020, with the increase compared with 2019/20 predominantly relating to increased activity on the North East Ambition programme, which is part-funded by the European Social Fund. The net budget for 2020/21 is a deficit of £0.326m which will be met from contributions from the Enterprise Zones account (as previously agreed by the North East LEP Board) unless other external funding sources are confirmed during the year.

## Leadership Board

The forecast position on the Invest North East England (INEE) team budget is for gross expenditure of £425,000, a £35,000 underspend compared to the original budget for the year of £460,000. This is mainly due to a lower level of expenditure on external consultancy and lead generation in year. This expenditure is part funded through local authority contributions of £20,000 per authority, which are also proposed to continue in 2020/21. This provides funding of £140,000 which is matched by a £140,000 contribution from the North East LEP. The North East LEP also contribute up to £170,000 from the Enterprise Zones account and £10,000 is sourced as private sector contributions.

The budget proposals contained in this report have been subject to consultation.

### Recommendations

The Leadership Board is recommended to:

- i. Note the updated position in terms of forecast of outturn for 2019/20;
- ii. Receive this report for consideration and approval of the 2020/21 budget proposals;
- iii. Unanimously agree a net budget (after interest income) for the corporate costs of NECA of £91,428, paid for by an equal contribution of £22,857 from each of the constituent authorities in NECA, as set out in section 2.14;
- iv. Unanimously agree to continue the budget contribution to the North East LEP of £250,000 which is required as match funding to secure £500,000 government grant, paid for by an equal contribution of £35,714.29 from each of the seven councils in the North East LEP area as part of the funding of an estimated budget of £4.908m, summarised in section 2.17 to 2.22;
- v. Unanimously agree to continue the budget contribution of £140,000 towards inward investment activity carried out by the Invest North East England team (INEE) which is paid for by an equal contribution of £20,000 from each of the seven councils in NECA and contributions from the North East LEP to a total budget for this activity of £460,000, as set out in section 2.23-2.24;
- vi. Unanimously agree to continue a net budget in respect of the accountable body role for the JTC in 2020/21 of £70,000, with the costs being met by equal contributions of £10,000 from the seven local authorities in the JTC area, as set out in section 2.14;

## Leadership Board

- vii. Unanimously agree to continue a net budget in respect of the accountable body role for the North East LEP in 2020/21 of £70,000, with the costs being met by equal contributions of £10,000 from the seven local authorities in the North East LEP area, as set out in section 2.14;
- viii. Note the decisions taken on 21 January by the JTC about the Transport Budget and Levies for 2020/21 as set out in section 2.25-2.26 and Appendix 4, and to issue the following levies in accordance with that decision:

Durham County Council	£15,466,000
Gateshead Council	£10,888,379
South Tyneside Council	£8,079,396
Sunderland City Council	£14,916,061

- ix. Make arrangements to administer payment of a transport revenue grant of £15,456,000 to Durham County Council for the delivery of transport services in the Durham area and to Nexus for the delivery of transport services in Tyne and Wear of £59,000,000;
- x. Note that the North of Tyne Combined Authority will issue the Transport Levies to Newcastle City Council (£16,140,834), North Tyneside Council (£11,075,330) and Northumberland County Council (£6,234,000) that have been agreed by the JTC and will pass the levy income from Newcastle City Council and North Tyneside Council to NECA in order to meet costs relating to the Tyne and Wear area;
- xi. Note that the North of Tyne Combined Authority will issue the Transport Grant to Northumberland County Council (£6,224,000) agreed by the JTC and make a £10,000 contribution to NECA in respect of Northumberland County Council's contribution to the costs of the JTC;
- xii. Authorise the Chief Finance Officer and the Monitoring Officer to take such other steps as are necessary to give effect to the proposals in this report;
- xiii. Note the section on the level of reserves set out in section 2.27 to 2.30; and
- xiv. Approve the Pay Policy Statement at Appendix 5.

## Leadership Board

### 1. Background Information

- 1.1 The arrangements set out in the Order which set up the North of Tyne Combined Authority (NTCA) require decisions about the Transport Revenue Budget and Transport Levies and the Transport Capital Programme to be taken by the North East Joint Transport Committee (JTC). The transport functions and assets still rest with each Combined Authority but can only be exercised or deployed through the decisions of the JTC. Accordingly, the JTC is an integral part of the decision-making in relation to the budget of each Combined Authority.
- 1.2 The NECA Leadership Board take decisions about the non-transport elements of its budget and incorporate the transport elements decided by the JTC into its budget.
- 1.3 NECA is currently the accountable body for the North East LEP. Work is ongoing to finalise the arrangements between NECA, North of Tyne Combined Authority and the seven local authorities regarding the support arrangements provided to the North East Local Enterprise Partnership, Invest North East England and the Joint Transport Committee from 1 April 2020. Until the change comes into effect, NECA will continue to report on the North East LEP budget.

### 2. Proposals

#### NECA Corporate Costs

- 2.1 The NECA budget for corporate costs is required to support operational costs management, Finance and Accounting, support for Scrutiny and Policy functions, Human Resources, Internal and External Audit, insurance, administration and coordination.
- 2.2 The report to the Leadership Board on 4 February 2019 set a net NECA corporate budget for 2019/20 of £161,428 which provided for NECA corporate capacity and to fulfil the JTC accountable body role, with a further £70,000 provided for the North East LEP accountable body role.
- 2.3 The table below presents an update on the forecast outturn for 2019/20 and includes costs associated with the roles of Accountable Body for the JTC, Accountable Body for the North East LEP. As reported to the Leadership Board in November, expenditure has increased against the original budget that was set

## Leadership Board

but the forecast outturn is for a breakeven position due to one-off grant income and higher interest receipts received.

2.4 **Table 1: NECA Corporate Budget Forecast Outturn 2019/20**

	<b>NECA Corporate £</b>	<b>JTC Accountable Body £</b>	<b>North East LEP Accountable Body £</b>	<b>Total £</b>
<b>Expenditure</b>				
Employees	21,380	21,380	21,590	<b>64,350</b>
Service Level Agreements	50,030	85,230	61,000	<b>196,260</b>
External Support	8,200	2,630	31,480	<b>42,310</b>
Independent Members Allowances	7,000	0	0	<b>7,000</b>
Supplies and Services	15,130	70	1,150	<b>16,350</b>
Other Grant Funded Activity	363,640	0	0	<b>363,640</b>
<b>Total Expenditure</b>	<b>465,380</b>	<b>109,310</b>	<b>115,220</b>	<b>689,910</b>
<b>Income</b>				
NECA Corporate Contributions	(91,430)	0	0	(91,430)
JTC Accountable Body Contributions	0	(70,000)	0	(70,000)
LEP Accountable Body Contributions	0	0	(70,000)	(70,000)
Government Grants	(363,640)	0	0	(363,640)
Interest Income	(10,000)	(39,520)	(46,050)	(95,570)
<b>Total Income</b>	<b>(465,070)</b>	<b>(109,520)</b>	<b>(116,050)</b>	<b>(690,640)</b>
<b>In-year surplus / (deficit)</b>	<b>310</b>	<b>(210)</b>	<b>(830)</b>	<b>(730)</b>

2.5 **Employees** - NECA has a small number of employees including the Managing Director, Transport North East, the Policy and Scrutiny Officer, Strategy and Democratic Services Assistant and the newly created Tyne Tunnels Contract Manager post. A proportion of the costs of these employees are charged against



## Leadership Board

the NECA corporate budget, JTC Accountable Body budget and LEP Accountable Body budgets, and against JTC and LEP operational budgets as appropriate. All other employees on the NECA payroll are employed on behalf of the North East LEP and the Invest North East England team and their costs charged to those budgets.

- 2.6 **Service Level Agreements** - Service Level Agreements for 2019/20 and 2020/21 have been standardised and agreed. There are no changes proposed to the charges assumed in the budget for 2019/20 and 2020/21 at this stage however SLAs will need to be reviewed to reflect any new commitments that are identified. A review will be undertaken during 2020 to inform the budget setting process for 2021/22. This will include a reassessment of inputs to service the SLAs to enable further discussions on future costs and reimbursement to take place.
- 2.7 **External support** - The services of the former Interim Chief Finance Officer to NECA have been retained during 2019/20, primarily to support the North East LEP and to support the closedown of the 2018/19 accounts. The Chief Finance Officer SLA with Durham County Council and LEP budgets have been used to fund this support in the current year.
- 2.8 **Members allowances** - Allowances are paid to independent Chairs and Vice Chairs appointed to committees of NECA and the JTC. This includes the Chair and Vice-Chair of the NECA and JTC Overview and Scrutiny committees, the Chair and Vice-Chair of the NECA Audit and Standards committee and the Chair and Vice-Chair of the JTC Audit committee, as well as an allowance paid to the Independent Person under the Standards Regime. Costs associated with the JTC committees are funded from the Transport Levies, and NECA committees are funded from the NECA corporate budget.
- 2.9 **Supplies and services** - NECA incurs a small level of cost in relation to meeting room hire, telecoms and banking charges. Professional fees costs are charged to this budget including a proportion of the external audit fee from Mazars and other professional fees for work around the closure of accounts including Aon Hewitt (Pensions) and Arlingclose (Financial Instruments). Costs which were not included in the budget for 2019/20 which have been paid for in year include expenditure on the NECA website (approximately £4,000) and support to help develop a pipeline of priority projects for the region (approximately £3,700).
- 2.10 **Other grant-funded activity** - At the end of the 2018/19 financial year, NECA received £90,909 from the Ministry of Housing, Communities and Local Government (MHCLG) to support veterans who are, or who are at risk of becoming, homeless and sleeping rough. In April 2019 the Leadership Board

## Leadership Board

agreed a proposal to allocate the grant to the four NECA councils on a population basis and set out the proposed use of the funding by each authority. Payments have been made to the four NECA councils to deliver the agreed interventions. Durham County Council are co-ordinating ongoing returns and reporting to MHCLG on behalf of NECA.

- 2.11 As reported to the Leadership Board in July, NECA received £181,818 from MHCLG to help 'support its preparations for Brexit'. A further £90,909 grant has now been received, giving a total of £272,727.
- 2.12 **Local Authority Contributions** - Contributions from the four NECA constituent authorities total £22,857 per local authority to fund the NECA corporate budget. In addition, all seven local authorities in the Joint Transport Committee area contribute £10,000 to meet the costs of the JTC Accountable Body role, £10,000 to meet the costs of the North East LEP Accountable Body role, £35,714 per local authority is paid to the North East LEP for the contribution to its core budget which is required to match fund government grant and £20,000 per local authority to support the work of the Invest North East England team.
- 2.13 **Interest receipts** - NECA receives interest receipts on funds it holds on behalf of the North East LEP and the JTC, which are allocated to different areas of activity with a proportion retained to help fund the corporate costs of NECA. The total included in the NECA corporate budget including the JTC accountable body role and the North East LEP accountable body role was £45,000. The estimated level of receipts which will be apportioned to these budgets is £96,000 in total. This is higher than the original estimate and has helped to meet the additional costs incurred during the year which were not included in the original budget.

### 2020/21 and Future Years

- 2.14 A high-level budget of £106,230 for NECA Corporate costs and £86,530 for JTC Accountable Body costs is proposed for 2020/21. After estimated investment income of £30,000, the level of contributions from constituent authorities is proposed to be maintained at the same level as the current year which results in a net balanced budget position next year after a small contribution from reserves to balance the budget of £1,340. Contributions to be agreed are £22,857 per council for NECA Corporate costs and £10,000 per council for JTC Accountable Body costs. The budget for 2020/21 has been prepared based on known employee and SLA charges. Separate funding or use of reserves will need to be considered for any additional work arising during the year.



## Leadership Board

- 2.15 Council contributions to the NECA Corporate budget have remained the same since the establishment of the authority in 2014, while costs (which are mainly driven by employee costs) have increased. It is likely that a modest increase in contributions to £25,000 per authority (£100,000 total) may be required in 2021/22 and 2022/23 to help address this, although this will be subject to separate agreement by the Leadership Board in advance of the start of those financial years.
- 2.16 The table below summarises the proposed budget and funding for 2020/21, together with indicative figures for 2021/22 and 2022/23 set out in Appendix 2 for information.

**Table 2: NECA Corporate Budget 2020/21**

	NECA Corporate	JTC Accountable Body	Total
	£	£	£
<b>Expenditure</b>			
Employees	47,900	11,100	<b>59,000</b>
Service Level Agreements	45,440	75,440	<b>120,880</b>
Independent Members Allowances	7,000	0	<b>7,000</b>
Supplies and Services	5,900	0	<b>5,900</b>
<b>Total Expenditure</b>	<b>106,240</b>	<b>86,540</b>	<b>192,780</b>
<b>Income</b>			
NECA Corporate Contributions	(91,430)	0	<b>(91,430)</b>
JTC Accountable Body Contributions	0	(70,000)	<b>(70,000)</b>
Interest Income	(15,000)	(15,000)	<b>(30,000)</b>
<b>Total Income</b>	<b>(106,430)</b>	<b>(85,000)</b>	<b>(191,430)</b>
<b>Net (to)/from Corporate Reserve</b>	<b>(190)</b>	<b>1,540</b>	<b>1,350</b>

### North East Local Enterprise Partnership

- 2.17 The North East LEP core team activity is part funded from a Government grant of £500,000, which is required to be matched by £250,000 local authority

## Leadership Board

contributions. It is proposed that the current match funding contribution of £250,000 continue to be provided in 2020/21 by the seven North East councils contributing £35,714.29 each.

- 2.18 NECA is currently the Accountable Body for the North East LEP. The continuation of the contribution of £10,000 from each of the councils in the North East LEP area to fund this role is proposed. These contributions will be payable to the NTCA once the Accountable Body responsibility transfers to NTCA.
- 2.19 The forecast North East LEP expenditure for 2019/20 is now estimated to be £4.664m, compared with an original budget for the year of £4.154m, an in-year increase in expenditure of £0.510m. The increase is due to additional externally funded activity, particularly around the Local Industrial Strategy and preparation for Brexit, including Business Support.
- 2.20 The original net budget for the year was for a deficit of £397,000. The forecast net outturn is for a deficit of £25,819, which represents a significant improvement on the original budget and reflects confirmation of external funding which was not confirmed at the time of setting the original budget in January 2019.
- 2.21 The gross expenditure budget for 2020/21 is £4.909m. The year on year increase compared with 2019/20 is primarily a result of increased activity on the North East Ambition project which is part-funded by the European Social Fund. The net budget for 2020/21 is for a deficit of £0.327m which will be met from contributions from the Enterprise Zones account (as previously agreed by the LEP Board) unless other external funding sources are confirmed.
- 2.22 A copy of the North East LEP Board budget report is attached at Appendix 2 for information, so that the local authority contributions can be seen in the context of the overall North East LEP budget and to give transparency over the budget as part of the current role of NECA as the Accountable Body of the North East LEP.

### Invest North East England

- 2.23 The Invest North East England (INEE) team coordinates inward investment activity across the NECA area including responding to investor enquiries but also pro-active lead generation activity to identify potential opportunities for investment to the region, which is currently carried out through a combination of contracting with a lead generation agency and in-house activity. The team has a gross budget of £460,000 for 2019/20 funded in part from a contribution of £20,000 from each local authority within the North East LEP area, matched

## Leadership Board

by £140,000 funding from the North East LEP, other one-off funds and contributions from Enterprise Zones surpluses for activity supporting and promoting Enterprise Zones. The forecast outturn for 2019/20 is £425,000, an in-year underspend of £35,000, which is mainly due to reductions on expenditure on lead generation and professional consultancy. This results in a lower than budgeted contribution being required from the Enterprise Zones account.

- 2.24 At this stage it is recommended that the budget for 2020/21 is set at £460,000, with the contribution of £20,000 per council being retained next year. This provides funding of £140,000 which is matched by a £140,000 contribution from the North East LEP. The North East LEP also contribute up to £170,000 from the Enterprise Zones account and £10,000 is sourced as private sector contributions. The overall budget of £460,000 is set out in Appendix 3. It is anticipated that the employment of the INEE team and host authority responsibility will transfer with the North East LEP to the NTCA from 1 April, and local authority contributions will be payable to NTCA during 2020/21.

### Transport Budgets

- 2.25 A copy of the report to the JTC meeting on 21 January 2020 setting out detailed proposals for transport budgets is attached as Appendix 4. This includes the Transport Levies, the Transport Strategy Unit budget and the budgets in relation to the Tyne Tunnels.
- 2.26 The budget proposals were agreed unanimously by the JTC at its meeting on 21 January 2020. NECA must agree to issue the levies agreed by the JTC to its constituent authorities and, in its role as Accountable Body for the JTC, make arrangements for the payment of the Transport Grants to Durham County Council and Nexus for the delivery of public transport services in Durham and Tyne and Wear on behalf of the JTC. The North of Tyne Combined Authority will issue the Transport Levies to Newcastle City Council, North Tyneside Council and Northumberland County Council and will pass the levy income from Newcastle City Council and North Tyneside Council to NECA in order to meet costs relating to the Tyne and Wear area. The North of Tyne Combined Authority will issue the Transport Grant to Northumberland County Council and make a £10,000 contribution to NECA in respect of Northumberland County Council's contribution to the central costs of the JTC. The levies to be issued by NECA and grants to be paid by NECA are as set out in the tables below:

**Table 3: NECA Area Transport Levies 2020/21**

## Leadership Board

Constituent Authority	2020/21 Transport Levy
Durham County Council	£15,466,000
Gateshead Council	£10,888,379
South Tyneside Council	£8,079,396
Sunderland City Council	£14,916,061

**Table 4: Durham and Nexus Transport Grants 2020/21**

Delivery Body	2020/21 Transport Grant
Durham County Council	£15,456,000
Nexus	£59,000,000

### Reserves and Contingencies

- 2.27 The corporate reserve of NECA was originally set at £350,000 which was created by a contribution of £50,000 from each local authority on the establishment of NECA in 2014. This is forecast to be approximately £182,000 at 31 March 2020, following redistribution of the corporate reserve back to NTCA authorities as previously reported to the Leadership Board. Based on current plans of activity this is considered a prudent but minimum level of reserves to hold to mitigate against unforeseen financial risks which may arise specifically in relation to this area of the budget.
- 2.28 It should be noted that separate reserves are held for Transport activity (including Nexus and the Tyne Tunnels) and North East LEP activity, and decisions on these reserves will be taken by the Joint Transport Committee and the North East LEP Board respectively.

### Pay Policy

- 2.29 The Localism Act 2011 requires the authority to prepare and publish a pay policy statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers and how this compares with the policy on the remuneration of its lowest paid employees. This is the first policy document to be approved by the Leadership Board since it has not previously directly employed its Chief Officers. The policy must be published by the end of March for each

## Leadership Board

subsequent year, although it can be amended by a resolution of the Leadership Board during the year.

- 2.30 Additionally, the Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:
- a) The level and elements of remuneration for each Chief Officer;
  - b) Remuneration of Chief Officers on recruitment;
  - c) Increases and additions to remuneration for each Chief Officer;
  - d) The use of performance-related pay for Chief Officers;
  - e) The use of bonuses for Chief Officers;
  - f) The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority;
  - g) The publication of and access to information relating to the remuneration of Chief Officers.

The NECA Pay Policy Statement is set out at Appendix 5 for the consideration of the Leadership Board and outlines the details for the authority in line with the above requirement.

### 3. Reasons for the Proposals

- 3.1 NECA must agree its budgets before the start of the financial year.

### 4. Alternative Options Available

- 4.1 Option 1: agree the proposals as set out in the report.  
 Option 2: suggest amendments or alternative budget proposals to be agreed.  
 Option 1 is the recommended option.

### 5. Next Steps and Timetable for Implementation

- 5.1 Letters confirming the Transport levies and dates for payment will be issued to NECA constituent authorities in February 2020. The revenue budget will be monitored and reported to the Leadership Board during the financial year.

### 6. Potential Impact on Objectives

- 6.1 The budget and medium-term financial strategy will be prepared to reflect the objectives of the Authority. Future reports will set out the revenue and capital budget proposals in detail that will help deliver the objectives of the Authority.

### 7. Financial and Other Resources Implications

## Leadership Board

7.1 Financial and other resource implications are set out in the body of the report.

### 8. Legal Implications

8.1 The budget must be approved unanimously in accordance with the requirements of the NECA Order and the NECA Constitution.

### 9. Key Risks

9.1 Appropriate risk management arrangements are put in place in each budget area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

### 10. Equality and Diversity

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

### 11. Crime and Disorder

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

### 12. Consultation/Engagement

12.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The draft proposals were subject to consultation with the Leadership Board, Overview and Scrutiny Committee, Audit and Standards Committee and officer groups and the final proposals are in line with those. In its accountable body role for the JTC, Transport proposals were also subject to consultation with the JTC Overview and Scrutiny Committee, JTC Audit Committee, the JTC Tyne and Wear Sub Committee and constituent councils. Comments raised as part of the consultation process have been taken into account in the preparation of the final report.

### 13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

### 14. Appendices

14.1 Appendix 1 – Summary of NECA Corporate Budgets 2020/21-2022/23  
Appendix 2 – Copy of North East LEP Budget report to the LEP Board  
Appendix 3 – Invest North East England Budgets 2020/21

## Leadership Board

Appendix 4 – Copy of Transport Revenue Budgets report to North East Joint Transport Committee 21 January 2020

### 15. Background Papers

- 15.1 Report to Leadership Board 5 February 2019 – Budget 2019/20  
<https://northeastca.gov.uk/wp-content/uploads/2019/01/Leadership-Board-5-February-2019-Agenda-Pack.pdf>
- Report to Leadership Board 5 November 2019 – Draft Budget Proposals and Timetable <https://northeastca.gov.uk/wp-content/uploads/2019/10/Agenda-Pack-5-November-2019.pdf>
- Report to Leadership Board 10 December 2019 – NECA Budget Proposals  
<https://northeastca.gov.uk/wp-content/uploads/2019/12/Leadership-Board-10-December-2019-Agenda-Pack-Public.pdf>

### 16. Contact Officers

- 16.1 Eleanor Goodman, NECA Finance Manager,  
[Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 277 7518
- Katy Laing, Strategic Finance Manager, NTCA, [Katherine.laing@northoftyne-ca.gov.uk](mailto:Katherine.laing@northoftyne-ca.gov.uk), 0191 211 6065

### 17. Sign Off

- 17.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓



## Leadership Board

### Appendix 1 – NECA Corporate and JTC Accountable Body Budget Proposals 2020/21-2022/23

	2020/21			2021/22			2022/23		
	NECA Corporate	JTC Accountable Body	Total	NECA Corporate	JTC Accountable Body	Total	NECA Corporate	JTC Accountable Body	Total
<b>Expenditure</b>									
Employees	47,900	11,100	<b>59,000</b>	48,860	11,320	<b>60,180</b>	49,830	11,540	<b>61,370</b>
Service Level Agreements	45,440	75,440	<b>120,880</b>	46,340	76,940	<b>123,280</b>	47,270	78,480	<b>125,750</b>
Independent Members Allowances	7,000	0	<b>7,000</b>	7,140	0	<b>7,140</b>	7,280	0	<b>7,280</b>
Supplies and Services	5,900	0	<b>5,900</b>	6,020	0	<b>6,020</b>	6,140	0	<b>6,140</b>
<b>Total Expenditure</b>	<b>106,240</b>	<b>86,540</b>	<b>192,780</b>	<b>108,360</b>	<b>88,260</b>	<b>196,620</b>	<b>110,520</b>	<b>90,020</b>	<b>200,540</b>
<b>Income</b>									
NECA Corporate Contributions	(91,430)	0	<b>(91,430)</b>	(100,000)	0	<b>(100,000)</b>	(100,000)	0	<b>(100,000)</b>
JTC Accountable Body Contributions	0	(70,000)	<b>(70,000)</b>	0	(77,000)	<b>(77,000)</b>	0	(77,000)	<b>(77,000)</b>
Interest Income	(15,000)	(15,000)	<b>(30,000)</b>	(10,000)	(10,000)	<b>(20,000)</b>	(10,000)	(10,000)	<b>(20,000)</b>
<b>Total Income</b>	<b>(106,430)</b>	<b>(85,000)</b>	<b>(191,430)</b>	<b>(110,000)</b>	<b>(87,000)</b>	<b>(197,000)</b>	<b>(110,000)</b>	<b>(87,000)</b>	<b>(197,000)</b>



## Leadership Board

Net (to)/from Corporate Reserve	(190)	1,540	1,350	(1,640)	1,260	(380)	520	3,020	3,540
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## Leadership Board

### Appendix 2 – North East LEP Budget Report

#### North East Local Enterprise Partnership Board

30<sup>th</sup> January 2020



#### Update on 2019/20 Revenue Budget; and a Provisional Estimate for the Revenue Budget for 2020/21

#### 1. Introduction

- 1.1 The purpose of this report is to provide an update to the Board on the revenue budget position for the current year (2019/20), and to provide an indicative Budget for next year (2020/21). This includes information about the budget for the Enterprise Zone account and Local Growth Fund and North-East Investment Fund (NEIF).
- 1.2 As in previous years it is intended to provide an outturn report for 2019/20 and an updated Budget for 2020/21 with latest information about funding and a three-year budget projection at the May Board.

#### 2. LEP 2019/20 Revenue Budget

- 2.1 During 2019/2020 there has been an increase in additional external funding, including European Social Funds and other Government funds which has resulted in additional activity in the year, resulting mainly in increases in operational cost (including the costs of short-term secondments) and a small increase on the staffing budget. The increase mainly relates to skills, business advice and Brexit preparation activity.
- 2.2 The LEP core budget covers LEP operational activity and also management of the Local Growth Fund; NEIF and Enterprise Zone programmes. Table 1 provides a summary of the Revised Revenue Budget for the year compared with the revenue indicative Revenue Budget reported in January 2019, and the updated Revenue Budget reported in May 2019, with supporting notes provided below.
- 2.3 The North East LEP board agreed a provisional revenue budget for 2019/20 of £4.155m in January 2019 and an updated revenue Budget of £4.157m in May 2019. With a higher gross income estimate of £4.121m in May, the projected drawdown from the LEP reserve had reduced from £0.342m in January to £0.036m, leaving an estimated reserve of £0.549m at the end of the year, in May.

## Leadership Board

- 2.4 Total revenue expenditure in 2019/20 is now estimated to be £4.664m, which is £0.507m higher than estimated in the May. However, this increase is funded by estimated additional income, which has risen by £0.518m to £4.639m, mainly attributable to awards of additional grant income, in particular Brexit preparation funding and skills funding. The net effect was a reduction in a net cost for the year from £36k in May to £26k.
- 2.5 This follows the pattern in previous years, where a cautious view on income and a prudent provision for costs results in an estimated call on reserves at the start of the year, and additional income or lower costs in the year reduces the call on reserves at the year end. The estimated level of North East LEP reserve to be carried into 2020/21 is estimated to be £0.559m.
- 2.6 In terms of grant income, many of the specific grants are subject to claims for actual expenditure in the year. If eligible expenditure is lower in the year then the amount of grant receivable for the year will also reduce to reflect the actual level of eligible expenditure that has been incurred.
- 2.7 The main budget variations are summarised below.

### **Employee Costs**

- 2.7.1 In relation to employee costs there is a small increase when compared with May 2019 Budget Update. There has been a saving as a result of holding vacant posts, with any new posts being matched by increase in income; and a net saving in assumed employee pension costs, which have remained at nil due to the continuation of NECA as the accountable body for the North East LEP in 2019/20.

### **Brexit Costs**

- 2.7.2 The variance of £0.254m is for both funding and costs for non budgeted programmes. These are not expected to continue into 2020/21.

### **Other Costs**

- 2.7.3 Other operational cost budgets are reflected in the 2019/20 revised budget in relation to non-salary costs in relation to new grant income streams such as LGF High

## Leadership Board

potential Growth of £0.078m and Energy Programme operational costs of £0.040m.  
This has also led to an increase in the requirement for Legal and Financial advice.

## Leadership Board

North East LEP 2019/20 Revenue Budget	Original Budget (January 19)	Budget Update (May 2019)	Revised Estimate	Variation from May
	£'000	£'000	£'000	£'000
Employees	2,404	2,509	2,516	7
Premises	190	190	193	3
Communications	247	247	247	0
Transport LGF Monitoring	100	100	72	(28)
Growth Hub Operational Costs	138	117	141	24
Invite (Horizon 2020) Operational Costs	66	66	56	(10)
LIS (Local Industrial Strategy)	0	24	68	44
Other Operational Costs	614	614	612	(2)
North East Ambition Operational Costs (ESF)	206	100	96	(4)
Brexit Intelligence activity and Business Support	0	0	204	204
Brexit Policy Work Programme (Strategy & Policy)	0	0	50	50
LGF High Potential growth Operational Costs	0	0	78	78
Energy Programme Operational Costs (Strategy & Policy)	0	0	40	40
Inward Investment Contribution	140	140	140	0
Other LGF inc studies, part of Programme Management	24	24	70	46
Other NEIF and EZ Costs - Legal / Finance Support	26	26	81	55
<b>GROSS EXPENDITURE</b>	<b>4,155</b>	<b>4,157</b>	<b>4,664</b>	<b>507</b>
<b>INCOME</b>				
LEP Core & Strategy Grant from DCLG	(500)	(500)	(500)	0
Local Authority Match Contributions	(250)	(250)	(250)	0
BEIS - LIS production and LEP review	0	(224)	(224)	(0)
<b>CORE FUNDING</b>	<b>(750)</b>	<b>(974)</b>	<b>(974)</b>	<b>(0)</b>
Local Growth Fund (programme mgmt costs)	(1,100)	(950)	(950)	0
Interest Generated on Funds to fund INEE	(50)	(140)	(167)	(27)
Growth Hub	(410)	(410)	(442)	(32)
Additional Brexit Funding	0	0	(204)	(204)
Enterprise Adviser grant - CEC	(173)	(190)	(250)	(60)
Energy Strategy BEIS / TVCA (Strat & Policy)	(57)	(79)	(99)	(20)
Invite (Horizon 20/20)	(102)	(102)	(84)	18
ERDF + Digital Catapult + AHSN	(63)	(103)	(75)	28
NEIF Contribution to cover activity costs	(66)	(66)	(106)	(40)
EZ Contribution to cover activity costs	(52)	(52)	(107)	(55)
Education Challenge was NECOP	(106)	(136)	(143)	(7)
European Social Fund	(579)	(464)	(417)	47
LGF match North East Ambition (ESF project)	(280)	(314)	(143)	171
EY Foundation (20/21 seed)	0	(75)	(75)	0
DfE	0	(40)	(75)	(35)
LA Contributions re ESIF Co-ordinator	(20)	(20)	(20)	0
LGF High Potential	0	0	(93)	(93)
Brexit Policy Work Programme (Strat & Policy)	0	0	(59)	(59)
Energy Programme Misc. Contrib (Stratgy & Pol)	0	0	(69)	(69)
Energy Programme LGF Rev Contrib. (Stratgy & Pol)	0	0	(14)	(14)
5G Pilot - LGF	0	0	(35)	(35)
Other Income (ERDF Energy Innovation)	(6)	(6)	(37)	(31)
<b>EXTERNAL FUNDING</b>	<b>(3,064)</b>	<b>(3,147)</b>	<b>(3,665)</b>	<b>(518)</b>
<b>GROSS INCOME</b>	<b>(3,814)</b>	<b>(4,121)</b>	<b>(4,639)</b>	<b>(518)</b>
<b>NET BUDGET</b>	<b>341</b>	<b>36</b>	<b>26</b>	<b>(10)</b>
<b>BROUGHT FORWARD BALANCE</b>	<b>(574)</b>	<b>(585)</b>	<b>(585)</b>	<b>0</b>
<b>Use or (Contribution) LEP Reserves</b>	<b>341</b>	<b>36</b>	<b>26</b>	<b>(10)</b>

## Leadership Board

### 3. LEP 2020/21 Revenue Budget

- 3.1 The indicative revenue Budget for 2020/21 reflects the latest known information of income for 2020/21 and an estimate of employee costs that reflects the transfer to a new accountable body to North of Tyne Combined Authority with effect from 1 April 2020, subject to the final confirmation by the LEP that the transfer in accountable body will occur at that time.
- 3.2 The estimates in this report are an indicative estimate, which will be refined in March and it is intended that a three-year medium term budget is again presented in May, when the outturn position for 2019/20 is clear and more information about grant income available for 2020/21 should be known.
- 3.3 A summary of the indicative budget is set out in the table below. The indicative figures show an 5.2% increase in Gross Expenditure to £4.909m and a reduction in income to £4.582m, with an assumption on no continuation of the BEIS grant received this year. The overall effect is an indicative net cost of £0.327m. This is less than the original net cost of £0.341m illustrated in the 2019/20 budget and less than the estimate of £0.400m for 2020/21 that was illustrated in May 2019.
- 3.4 In terms of employee costs there is a small increase of £0.108m (4.3%) when compared with the revised budget for 2019/20. The estimate includes a provision for inflation of 2%, the full year effect of posts appointed part way through 2019/20, scale uplifts and the TUPE transfer of staff to the North of Tyne Combined Authority as a new Accountable body from 1 April 2020. This assumes the continuation of a 0% employer's superannuation contribution that the North East LEP would have received had it remained with NECA and the impact of TUPE transfer of staff on a no detriment basis to pay scales operated by the NTCA.
- 3.5 The main changes in income reflect reduced short-term grant income from BEIS and Brexit Grant income; and a reduced contribution for LGF Programme management as we near the end of the programme. The North East LEP is bidding for additional grants and any grants secured will be included in the budget as they are announced.
- 3.6 Other significant changes in the estimates are summarised overleaf:

## Leadership Board

North East LEP 2019/20 Revised Budget and 2020/21 Indicative Budget	2019-20 Revised Estimate	2020/21 Indicative Budget	Budget 2020/21 Variance to 2019-20 Outturn
	£'000	£'000	£'000
Employees	2,516	2,624	108
Premises	193	190	(3)
Communications	247	252	5
Transport LGF Monitoring	72	72	0
Growth Hub Operational Costs (inc.Brexit increase)	141	93	(48)
Invite (Horizon 2020) Operational Costs	56	23	(33)
LIS (Local Industrial Strategy)	68	0	(68)
Other Operational Costs	612	626	14
North East Ambition Operational Costs (ESF)	96	312	216
Brexit Intelligence Activity and Business Support	204	0	(204)
LGF High Potential Operational	50	319	269
Brexit Policy Work Programme (Strategy & Policy)	78	110	32
Energy Programme Operational Costs (Strategy & Policy)	40	23	(17)
Inward Investment Contribution	140	140	0
Other LGF inc studies	70	23	50
Other NEIF and EZ Costs - Legal / Finance Support (PW/PJ)	81	102	21
<b>GROSS EXPENDITURE</b>	<b>4,664</b>	<b>4,909</b>	<b>342</b>
LEP Core & Strategy Grant from DCLG	(500)	(500)	0
Local Authority Match Contributions	(250)	(250)	0
BEIS - LIS production and LEP review	(224)	0	224
<b>CORE FUNDING</b>	<b>(974)</b>	<b>(750)</b>	<b>224</b>
Local Growth Fund (programme mgmt costs)	(950)	(850)	100
Interest Generated on Funds to fund INEE	(167)	(80)	87
Growth Hub (including Brexit increase)	(442)	(410)	32
Additional Brexit Funding	(204)	0	204
Enterprise Adviser grant - CEC	(250)	(150)	100
Energy Strategy BEIS/TVCA (Strat& Policy)	(99)	(15)	84
Invite (Horizon 20/20)	(84)	(63)	21
ERDF + Digital Catapult + AHSN	(75)	(75)	0
NEIF Contribution to cover activity costs *	(106)	(125)	(19)
EZ Contribution to cover activity costs	(107)	(160)	(53)
Education Challenge EDGE	(143)	(97)	46
European Social Fund	(417)	(620)	(203)
LGF match North East Ambition (ESF project)	(143)	(472)	(329)
EY Foundation (20/21 seed)	(75)	(30)	45
DfE	(75)	(35)	40
LA Contributions re ESIF Co-ordinator	(20)	0	20
LGF High Potential	(93)	(336)	(243)
LGF Innovation Pipeline	0	(79)	
Brexit Policy Work Programme (Strat & Policy)	(59)	(121)	(62)
Energy Strategy Misc. Contributions	(69)	(23)	46
Energy Programme LGF Rev Contrib. (Stratgy & Pol)	(14)	(70)	(56)
5G Pilot - LGF	(35)	0	35
Other Income (ERDF Energy Innovation)	(37)	(21)	16
<b>EXTERNAL FUNDING</b>	<b>(3,664)</b>	<b>(3,832)</b>	<b>(89)</b>
<b>GROSS INCOME</b>	<b>(4,638)</b>	<b>(4,582)</b>	<b>56</b>
<b>NET BUDGET</b>	<b>26</b>	<b>327</b>	<b>301</b>
<b>EZ Contribution</b>		<b>(309)</b>	<b>(309)</b>
<b>Use or (Contribution) LEP Reserves</b>		<b>(9)</b>	<b>(9)</b>

## Leadership Board

### **LGF Funding**

3.6.1 This remains a significant funding stream but is declining to completion in March 2021. Swap funding will be available beyond this to cover necessary continued monitoring and evaluation. The Government will need to announce its intention beyond 2021 for the continuation or not of this funding during 2020/21 to enable effective medium-term budget planning in 2021/22 and beyond.

### **BEIS Funding**

3.6.2 The cessation of this one-off funding creates a significant variance of £0.224m on the previous year. This was used to pay for various activities including Local Industrial Strategy work that is assumed to be completed by March 2020.

### **Brexit Funding**

3.6.3 This is one off funding included in the 2019/20 forecast but not available in 2020/21.

### **LGF High Potential**

3.6.4 The increased cost in operational costs (£0.269m) in comparison to 2019/21 due to delay in approval of grant funding.

### **LGF Innovation Pipeline**

3.6.5 This is a one-off project grant for 2020/21.

## **4. North East LEP Revenue Balances**

4.1 The estimate for 2019/20 and 2020/21 shows that the North East LEP revenue balance as at 1 April 2019 was £0.585m and this is shown as reducing slightly to £0.550m at 31 March 2021. It is important to maintain a reasonable balance to deal with future uncertainties.



## Leadership Board

- 4.2 The balancing figure of £0.309m in the indicative 2020/21 Revenue Budget is a call on the Enterprise Zone surplus from the previously agreed £0.500m per annum budget.
- 4.3 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income surplus of up to £500k per annum could be utilised to support the revenue budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2m of potential spend from the EZ account. The illustration shows that up to £245k is anticipated, which is less than the potential use £400k for the year that was projected in the Medium-Term Plan budget report considered by the Board in May 2019. The intention is to reduce the call on the EZ account by the year end through additional income and cost savings.
- 4.4 The balance on the Enterprise Zone account is estimated to be almost £3m as illustrated in section 5 below.

## 5. North East Enterprise Zones

- 5.1 Round 1 Enterprise Zones are located across four local authority areas; Newcastle, North Tyneside, Northumberland and Sunderland. Business rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period, 2019/2020 is the seventh year of the Round 1 zones' life.
- 5.2 In April 2017 these were joined by a further ten sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1<sup>st</sup> April 2018 to complete the coverage. With the exception of the IAMP, it is the second year of the round 2 sites life. Ramparts (Northumberland) and Follingsby in Gateshead are estimated to generate Business Rates Growth Income during 2019/20, as the site required no capital investment to enable occupation to occur on part of the existing established industrial estate.
- 5.3 The table below provides a summary of the Enterprise Zone account income and costs for 2019/20 and 2020/21. While income in 2019/20 expected to be slightly higher than the prudent estimate made in July 2019, it is still significantly lower than the original projections. Some further growth is estimated for 2020/21 on round 2 sites. Figures for 2020/21 include a contingency to cover vacant buildings or the effect of valuation rating appeals.
- 5.4 Discussions are continuing with councils about the impact of valuation appeals and adjustments for 2018/19 and 2019/20; a share of grant provided by the Government to cover the loss of income due to the under-indexation of annual inflation uplift which

## Leadership Board

reduced from the rpi measure of inflation to CPI inflation; and the potential backdating of income received when the business rate bills for new buildings come through in future years.

Enterprise Zone Account	2018/19 Actual	2019/20		2020/21 Estimate
	£000	July Estimate	Latest Estimate	£000
<b>Business Rate Income</b>				
<b>Round 1 Sites</b>				
Newcastle	501	457	508	465
North Tyneside	194	171	165	171
Northumberland	334	332	314	257
Sunderland	750	731	755	724
<b>Round 2 Sites</b>				
Northumberland	46	39	39	56
Sunderland - IAMP			-	828
Gateshead Follingsby		143	242	221
Business Rates income	1,825	1,873	2,023	2,722
Interest on Account Balance	25	25	18	18
<b>Total Income</b>	<b>1,850</b>	<b>1,898</b>	<b>2,041</b>	<b>2,740</b>
<b>Costs</b>				
NEIF Repayments	1,238	800	1,000	446
Other Financing Costs	235	1,044	747	1,939
Inward Investment Contribution	71	135	135	230
EZ Account Operation	100	122	107	100
<b>Total Costs</b>	<b>1,644</b>	<b>2,101</b>	<b>1,989</b>	<b>2,715</b>
<b>Annual Surplus</b>	<b>206</b>	<b>(203)</b>	<b>52</b>	<b>25</b>
<b>Cumulative Surplus</b>	<b>2,913</b>	<b>2,710</b>	<b>2,965</b>	<b>2,990</b>

- 5.5 The increase in income in 2020/21 is mainly due to the construction and completion of 3 buildings on the IAMP site.
- 5.6 The costs mainly relate to capital financing costs including the repayment of previous interest free loans from the LEP's North East Investment Fund (NEIF). The increase in 'other financing costs' in 2020/21 relates to the payment to councils of capital financing cost that they are estimated to incur to finance the approved capital investment on their sites.
- 5.7 There is a £0.230m contribution in 2020/21 towards the cost of the Invest North East England Team (INEE). The standard annual budget contribution is £0.170m, which has been less in recent years due to savings in the INEE budget at the year end. The contribution in 2020/21 also includes £0.060m met from interest on the Enterprise Zone account.

## Leadership Board

- 5.8 In the event that the LEP Revenue Budget does require a contribution from the EZ account surplus, this will reduce the current balance on the EZ account – estimated to be £2.990m by the end of 2020/21.
- 5.9 More information will be reported in March and a detailed report on the projected lifetime surplus on the account, which is still estimated to be over £200m will be presented to the May Investment Board and the full Board.

## 6. Recommendations

- 6.1 The Board is requested to:
- i. Note the positive budget outturn position for 2019/20.
  - ii. Agree the indicative budget for 2020/21, with an update on the 2020/21 Budget being reported to the Board in May along with a three-year estimate.
  - iii. Note the estimated end of year position of the Enterprise Zone account.

## Leadership Board

### Appendix 3 – Invest North East England Forecast 2019/20 and Budget 2020/21

	2019/20 Original Budget	2019/20 Forecast	Variance	2020/21 Original Budget
	£	£	£	£
<b>Expenditure</b>				
Salaries	160,000	162,000	2,000	166,000
Staff training	2,000	0	(2,000)	2,000
Travel and Subsistence	10,000	5,000	(5,000)	9,000
Web, telecoms and computing	10,000	10,000	0	8,000
Marketing/Comms/Events	100,000	100,000	0	100,000
Membership Fees	3,000	5,000	2,000	3,000
Visit Hospitality costs	10,000	8,000	(2,000)	7,000
Professional Consultancy	20,000	10,000	(10,000)	20,000
Lead generation / representation	110,000	90,000	(20,000)	110,000
Research resource licenses	25,000	20,000	(5,000)	25,000
Propositions refresh	10,000	0	5,000	10,000
<b>Total Expenditure</b>	<b>460,000</b>	<b>425,000</b>	<b>(35,000)</b>	<b>460,000</b>
<b>Income</b>				
Local Authority contributions	(140,000)	(140,000)	0	(140,000)
Private sector contributions to events	(10,000)	(6,500)	3,500	(10,000)
North East LEP	(310,000)	(278,500)	31,500	(310,000)
<b>Total Income</b>	<b>(460,000)</b>	<b>(425,000)</b>	<b>31,500</b>	<b>(460,000)</b>

## Leadership Board

### Appendix 4 – North East Joint Transport Committee Report 21 January 2020

**Date:** 21 January 2020

**Subject:** Transport Budget and Levies 2020/21

**Report of:** Chief Finance Officer

#### Executive Summary

This report sets out the 2020/21 Transport Revenue Budget and associated Transport Levies for the North East Joint Transport Committee (JTC) for consideration and approval. The budget proposals contained in this report take into account comments received during consultation on the outline proposals presented to this committee in October and November 2019.

The two Combined Authorities in the JTC area are required to set the Transport Levies before 15 February 2020 to enable their constituent councils to take the levies and other contributions into account in setting their own budgets. The two Combined Authorities will formally consider issuing the levies that are agreed by the JTC at their meetings on 28 January (NECA) and 4 February (NTCA).

The report provides an update on the Revenue Budget outturn for 2019/20 and sets out the revenue resources planned to be used in 2020/21 to deliver the objectives of the JTC. A separate report on this agenda sets out the 2020/21 Transport Capital Programme and provides an update on the delivery of the 2019/20 Transport Capital Programme.

The proposed budget and levy for public passenger transport activity in County Durham is £15.466m for 2020/21, of which £15.456m will be payable as a grant to Durham County Council and £0.010m retained to contribute to the central costs of the JTC. This compares with a levy for 2019/20 of £15.562m, of which £0.010m was retained to contribute to central costs.

The proposed budget and levy for public transport activity in Northumberland is £6.234m for 2020/21, of which £6.224m will be payable as a grant to Northumberland County Council and £0.010m retained to contribute to the central costs of the JTC. This compares with a levy of £6.104m for 2019/20, of which £0.010m was retained to contribute to central costs.

The proposed budget and levy for public transport activity in Tyne and Wear is £61.100m for 2020/21, of which £59.000m will be payable as a grant to Nexus. This represents a year on year cash freeze in the levy compared with 2019/20. As in previous years, £2.100m of

## Leadership Board

the levy will be retained and used to help fund central costs of the JTC, primarily relating to the former Tyne and Wear Integrated Transport Authority (TWITA) functions.

The gross expenditure budget for the Transport Strategy Unit is £0.927m in 2020/21, funded through a range of sources, the most significant of which is a contribution from the Local Transport Plan Integrated Transport Block grant of £500,000 (equating to £62,500 for each of the seven local authorities and Nexus).

The Tyne Tunnels revenue account forecast for 2019/20 is a breakeven position. The Tyne Tunnel estimates for 2020/21 build in the full year costs of the new Tyne Tunnels Manager and indicate a small surplus. Provision has been made for costs relating to the Tyne Pass Project to install Automatic Number Plate Recognition (ANPR) technology at the tunnels. The budget estimates for 2020/21 have been prepared on the basis that increases in the Retail Price Index (RPI) measure of inflation will trigger an increase in the toll for Class 3 vehicles (HGVs). This is a decision for the Tyne and Wear Sub Committee, who will be recommended to agree the increase at their meeting on 16 January.

## Recommendations

The North East Joint Transport Committee is recommended to receive this report for consideration and, taking into account the comments from consultation, to:

- i) Note the position of the Transport budget in 2019/20 and approve the revised estimates for the year;
- ii) Agree a Transport net revenue budget for 2020/21 of £82.800m, as set out in section 2.8 of this report;
- iii) Agree the following Transport Levies for 2020/21:
 

a. Durham County Council	£15,466,000
b. Northumberland County Council	£6,234,000
c. Tyne and Wear councils (detailed in Table 6)	£61,100,000
- iv) Agree a transport revenue grant to Durham County Council for the delivery of transport services of £15,456,000, as outlined in section 2.9;
- v) Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6,224,000, as outlined in section 2.12;
- vi) Agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £59,000,000 as outlined in section 2.22;
- vii) Approve the budget for the Tyne Tunnels set out in section 2.47, which includes a recommended increase in the Tyne Tunnels tolls for inflation to be considered for approval by the Tyne and Wear Sub Committee on 16 January 2020;
- viii) Approve the budget for the Transport Strategy Unit as set out in section 2.40; and

## Leadership Board

- ix) Note the forecast level of reserves at section 2.50.

## Leadership Board

### 1. Background Information

- 1.1 The draft budget proposals were presented to this committee for consideration on 23 October 2019 and 19 November 2019 and have been the subject of consultation with officer groups, the JTC Overview and Scrutiny Committee, the Tyne and Wear Sub-Committee (for proposals relating to Tyne and Wear) and the JTC Audit Committee.
- 1.2 This report sets out the final budget proposals, taking into account the comments received during the budget process and the latest available information.
- 1.3 The report outlines the proposed Transport revenue budget and levies for 2020/21, together with indicative forecasts for future years also exemplified for consideration and approval. The report also provides an updated forecast for the current year.

### 2. Proposals

#### Transport Revenue Budgets 2019/20 Forecast

- 2.1 The main area of income and expenditure in the JTC revenue budget is the Transport levies and the revenue grants paid to Durham County Council, Northumberland County Council and Nexus for the delivery of public transport services.
- 2.2 As the Transport Levies and revenue grants are normally fixed for the year, there is no change in the Levies payable and minimal change in the Joint Transport Committee revenue budget itself in year.
- 2.3 Any surplus or deficit against the budgets for the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of those organisations. There is a small variance forecast against the Retained Transport Levy budget of £0.020m resulting from lower than anticipated interest costs on historic Tyne and Wear Transport debt. The forecast underspend will be transferred to the JTC retained reserves at the year end.
- 2.4 *Table 1: 2019/20 Transport Levies and Grants:*

	2019/20 Original Budget	2019/20 Forecast Outturn	2019/20 Forecast Variance
	£000	£000	£000
<b>Total Transport Levies</b>	<b>(82,766)</b>	<b>(82,766)</b>	<b>0</b>
Grant to Durham	15,552	15,552	0
Grant to Northumberland	6,094	6,094	0
Grant to Nexus	55,667	55,667	0



## Leadership Board

Contribution to Metro Fleet Replacement reserve	3,333	3,333	0
Retained Transport Levy budget (to meet central costs)	2,120	2,100	(20)
<b>Net</b>	-	<b>(20)</b>	<b>(20)</b>
<b>Contribution to/ (from) JTC unearmarked reserves</b>	-	<b>20</b>	<b>20</b>

### Budget and Levy Proposals for 2020/21

2.5 The overall total proposed net revenue budget for transport levies in 2020/21 is £82.800m, as summarised in Table 2 below. This represents a small net increase of £0.034m when compared to 2019/20.

2.6 *Table 2: Transport Levies 2020/21:*

	Levy	Change from 2019/20	Levy per person <sup>1</sup>
	£000	£000	£/person
Durham	15,466	(96)	£29.35
Northumberland	6,234	130	£19.46
Tyne and Wear	61,100	0	£53.77
<b>Total</b>	<b>82,800</b>	<b>34</b>	

2.7 The variation in the figures for the levy per person reflects the higher costs of concessionary travel demand and capital financing costs in the Tyne and Wear area and demonstrates why three separate levies are required. The following table sets out a summary of the transport net revenue spending planned for 2020/21. Around £55.243m (67%) is planned to be spent to concessionary travel and around £16.286m (20%) on subsidised bus services. It should be noted that these figures do not include the costs of home to school transport for children and young people as these are within the budgets of the relevant local authorities.

2.8 *Table 3: Summary of the 2020/21 Transport Budget:*

	Durham	N'Land	Tyne & Wear	Total
	£000	£000	£000	£000
Statutory Concessionary Travel	11,932	4,811	35,700	<b>52,443</b>
Discretionary Concessionary Travel	0	0	2,800	<b>2,800</b>
Subsidised Bus Services	2,556	1,230	12,500	<b>16,286</b>

<sup>1</sup> ONS mid-2018 Population estimates, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2018>

## Leadership Board

Bus Stations/Infrastructure	196	25	2,300	<b>2,521</b>
Public Transport Information	88	25	1,400	<b>1,513</b>
Metro (incl. Discretionary Travel)	0	0	2,800	<b>2,800</b>
Heavy Rail	0	0	300	<b>300</b>
Ferry	0	0	1,200	<b>1,200</b>
Staffing in Durham/Northumberland	684	133	-	<b>817</b>
<b>Transport Grants</b>	<b>15,456</b>	<b>6,224</b>	<b>59,000</b>	<b>80,680</b>
JTC General Transport Costs and former TWITA Costs	10	10	2,100	2,120
<b>Transport Levy</b>	<b>15,466</b>	<b>6,234</b>	<b>61,100</b>	<b>82,800</b>

### Durham

2.9 The budget and levy for public passenger transport activity in County Durham will be set at £15.466m for 2020/21. This compares with a levy for 2019/20 of £15.562m. The budget and levy for 2019/20 and 2020/21 is summarised in the table below.

2.10 *Table 4: Durham Transport Budget and Levy 2020/21:*

	<b>2019/20 Original Budget</b>	<b>2019/20 Forecast</b>	<b>2019/20 Forecast Variance</b>	<b>2020/21 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Concessionary Fares	12,048	12,048	-	11,932
Subsidised Services	2,583	2,361	(222)	2,556
Bus Stations	144	130	(14)	177
Bus Shelters	19	37	18	19
Passenger Transport Information	89	85	(4)	88
Staffing	669	669	-	684
Share of NECA Transport Costs	10	10	-	10
<b>Net Expenditure / Levy</b>	<b>15,562</b>	<b>15,340</b>	<b>(222)</b>	<b>15,466</b>

2.11 There is a £0.222m underspend forecast in 2019/20, which will be retained by Durham County Council at the year-end. The main reasons for the projected underspend are as follows:

- Subsidised Services - £222,000 under budget – this relates mainly procurement efficiencies arising from lower than expected costs of bus services procured by the council;
- Bus Stations - £14,000 under budget – this is due to lower than expected costs for repairs and maintenance and vandalism;

## Leadership Board

- Bus Shelters – £18,000 over budget – this is due to increased costs for repairs and maintenance and vandalism; and
- Passenger Transport Information - £4,000 under budget – minor variances across a number of budget heads.

The budget proposals for 2020/21 are largely in line with those for the current year, with no adverse impact on services anticipated in the coming year.

### Northumberland

- 2.12 The budget and levy for public passenger transport activity in Northumberland will be set at £6.234m for 2020/21. This compares with a levy for 2019/20 of £6.104m. The budget and levy for 2019/20 and 2020/21 is summarised in the table below.

- 2.13 *Table 5: Northumberland Transport Budget and Levy 2020/21*

	<b>2019/20 Original Budget</b>	<b>2019/20 Forecast</b>	<b>2019/20 Forecast Variance</b>	<b>2020/21 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Concessionary Fares	4,690	4,621	(69)	4,811
Subsidised Services	1,230	1,150	(80)	1,230
Bus Stations	24	24	-	25
Passenger Transport Information	25	25	-	25
Staffing	125	125	-	133
Share of NECA Transport Costs	10	10	-	10
<b>Net Expenditure / Levy</b>	<b>6,104</b>	<b>5,955</b>	<b>(149)</b>	<b>6,234</b>

- 2.14 The main areas of expenditure are:
- Concessionary Fares – Based on performance to date, the budget is forecast to underspend by £0.069m in 2019/20. The patronage for the service has declined by approximately 1.5% per annum which is offset by increased ticket income.
  - Subsidised Bus Services – The Council supports a range of socially necessary bus services, mainly in the rural North and West areas of the County but also some in the more urban South East. It is forecast that the outturn position will show an underspend of £0.080m at the end of the current financial year.

The budget for 2020/21 includes a small increase related to increased ticket prices and reimbursements to operators for concessionary travel.

## Leadership Board

### Tyne and Wear

- 2.15 The recommended budget and levy for Tyne and Wear is £61.100m for 2020/21, a year on year cash freeze when compared with 2019/20.
- 2.16 The levy for Tyne and Wear is made up of a centrally retained budget of £2.100m – retained to fund Tyne and Wear transport costs (primarily relating to the former Tyne and Wear Integrated Transport Authority) and the grant to Nexus for the provision of public transport services of £59.000m.
- 2.17 The apportionment of the Tyne and Wear levy between the constituent councils is revised each year to take into account the mid-year population estimates. In 2020/21 the split of the levy will be based on the mid-2018 population estimates, as set out in Table 6 below. More detail is provided in Appendix 1.
- 2.18 *Table 6: Tyne and Wear Levy Apportionment 2020/21*

Council	2019/20 Levy £	2020/21 Levy £	Change £
Gateshead	10,949,433	10,888,379	(61,054)
Newcastle	16,002,955	16,140,834	137,879
North Tyneside	11,060,540	11,075,330	14,790
South Tyneside	8,089,866	8,079,396	(10,470)
Sunderland	14,997,206	14,916,061	(81,145)
<b>Total</b>	<b>61,100,000</b>	<b>61,100,000</b>	<b>0</b>

### Nexus Revenue Budget

#### Background

- 2.19 The initial budget proposals considered by the JTC on 23 October 2019 showed a worsening financial position in the current year and the potential impact of introducing the new fleet. This position was updated when the JTC met on 19 November 2019 to take account of the impact of the 2019 pension valuation, which showed an improved position from 2020/21. This is summarised in the table below:
- 2.20 *Table 7: Impact of Pension Valuation on Nexus Medium Term Financial Plan forecast*

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m

## Leadership Board

Indicative Deficit (including impact of new fleet)	4.400	2.400	6.000	8.800
Impact of Pension Valuation:	0	(3.400)	(2.900)	(2.500)
<b>(Surplus)/Deficit before use of reserves</b>	<b>4.400</b>	<b>(1.000)</b>	<b>3.100</b>	<b>6.300</b>
Movement in reserves	(4.400)	1.000	(3.100)	(3.200)
<b>Savings required</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.100</b>

2.21 These forecasts were based on the following assumptions:

- That the grant from the JTC is frozen in 2020/21 to 2022/23;
- The pension saving is estimated at £3.400m in 2020/21, reducing to £2.900m in 2021/22 and £2.500m in 2022/23 in order to build in a level of contingency should the Fund position deteriorate by the time of the next valuation;
- A balanced budget will be achieved without the need for service reconfiguration in 2020/21 and 2021/22 when a planned use of reserves is taken into account; and
- If half of the 2022/23 estimated deficit were met from reserves, expenditure reductions in that year would need to be considered.
- The balance of usable reserves at 31 March 2023 would be circa £6.300m using these forecasts and the planned use of reserves to delay savings.

### Budget Preparation: 2020/21 to 2022/23

2.22 Nexus' budget has been prepared on the following basis:

- Services will be maintained at current levels, in line with previous commitments;
- Pay and contract prices (including concessionary fares reimbursement) will broadly increase in line with inflation;
- Metro Rail Grant (MRG) will increase in line with inflation (increasing from £26.100m to £26.600m, as confirmed by DfT on 10 October 2019);
- Metro fares will be rebased and then increased in line with CPI inflation; and
- JTC grant will be £59.000m in 2020/21, the same level as 2019/20.

2.23 At the meeting on 19 November 2019, the JTC agreed to fund a number of Metro Futures planning studies, totalling £2.300m. The majority of these costs can be accommodated from existing budget provision and the estimated surplus in 2020/21. These studies have been incorporated into the budget, which has reduced the forecast usable reserves as at 31 March 2023 to £5.300m.

## Leadership Board

- 2.24 Previous commitments that have been incorporated into the budget include provision for the South Shields Learning Centre, management of the fleet maintenance contracts and the introduction of revised terms and conditions associated with cleaning Metro and bus infrastructure.

### Budget 2020/21

- 2.25 The following table shows the movement from the 2019/20 base budget:

*Table 8: Movement from 2019/20 to 2020/21 Nexus base budget:*

	£m	£m
<b>Base Budget 2019/20 (Deficit – Use of Reserves Required)</b>		<b>0.700</b>
Grants and commercial revenue	(3.700)	
Savings / Re-direction of current expenditure	(4.700)	(8.400)
Maintenance of services	4.500	
Committed growth	3.200	7.700
<b>Base Budget 2020/21 (Balanced)</b>		<b>0</b>

- 2.26 Appendix 3 summarises the Nexus JTC grant funded budget. Appendix 4 shows this in more detail whilst Appendix 5 shows how central services are allocated across areas of service delivery.
- 2.27 Nexus' main areas of expenditure are set out in the table below, along with associated narrative:

*Table 9: Summary of Nexus expenditure:*

	2019/20		2020/21	
	Gross Exp £m	Net Exp £m	Gross Exp £m	Net Exp £m
Statutory Concessionary Travel*	35.500	35.400	35.800	35.700
Discretionary Concessionary Travel*	3.400	2.800	3.300	2.800
Metro	101.600	1.500	104.500	2.800
Ferry	1.500	1.000	1.700	1.200

## Leadership Board

Local Rail	0.400	0.200	0.500	0.300
Bus Services	15.200	11.700	15.900	12.500
Bus Infrastructure	3.600	2.500	3.500	2.300
Public Transport	1.500	1.200	1.500	1.400
<b>Total</b>	<b>162.700</b>	<b>56.300</b>	<b>166.700</b>	<b>59.000</b>

\* Expenditure for 2019/20 has been restated in order that accounting treatment in both years is consistent.

- **Statutory Concessionary Travel** – comprising the net costs of the English National Concessionary Travel Scheme (ENCTS) in Tyne and Wear, which is a statutory obligation placed upon Nexus as the Travel Concession Authority (TCA). Expenditure is dependent upon the numbers of passengers using the Scheme, the fare that would have been paid (to the bus operator) if the Scheme did not exist and an estimate of the additional costs of meeting the increased demand caused by the existence of the Scheme. TCAs and bus operators utilise DfT guidance in determining the value of payments due but, in essence, Nexus has no control over this budget.
- **Discretionary Concessionary Travel** – comprising the discretionary add-ons to the ENCTS (the all-day disabled pass, the companion pass, post 23:00 boardings, and pre 09:30 boardings for the purposes of attending medical appointments), the Under 16 Scheme and Teen Travel.
- **Metro** – comprising operations (train control, train crew, cleaning security, fleet engineering, customer services and track access), infrastructure repairs and maintenance and planning studies relating to potential future extensions. The cost of the Metro concessionary travel Scheme (Gold Card) also forms part of this budget. Costs are offset by central and local government grants, fare revenue and other commercial income.
- **Ferry** – comprising staffing, fuel, maintenance, cleaning and security.
- **Local Rail** – comprising the cost of Nexus' involvement in the franchise management arrangements of Northern Rail and Trans Pennine Express. This includes servicing the North East Rail Management Unit on behalf of the JTC.
- **Bus Services** – mainly comprising secured bus services which necessarily involves the following types of service provision:
  - All day services
  - Scholars services
  - Works/Early Morning services



## Leadership Board

- Evenings and weekend extensions
- Route diversions
- Taxibus and Community Transport
- **Bus Infrastructure** – comprising staffing, cleaning, maintenance and security of bus interchanges, stations and shelters.
- **Public Transport Information** – comprising website design and maintenance, printed material including Bus, Metro and Ferry timetables (including bus stop liners), call handling and the provision of electronic information for journey planning.

### Looking Ahead: 2021/22 and 2022/23

- 2.28 The forecasts for 2021/22 and 2022/23 have also been updated, with the caveat that both of Nexus' revenue grants (from the JTC and the DfT) are only committed until the end of 2020/21. The planning assumption has been to assume no further growth or reduction in either of these grants. On this basis, the updated medium-term financial forecast is shown in the table below:

*Table 10: Updated Nexus Medium Term Financial Forecast*

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
<b>(Surplus)/Deficit before use of reserves</b>	<b>4.400</b>	<b>0</b>	<b>3.700</b>	<b>6.500</b>
Planned use of reserves	(4.400)	0	(3.700)	(3.300)
<b>Savings Required</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.200</b>

- 2.29 This compares with the planning assumptions set out in the table at paragraph 2.20. The budget pressures in 2021/22 and 2022/23 have widened by £0.600m and £0.200m respectively, principally because of the need to fund the completion of the Metro extensions planning studies.
- 2.30 Nexus has successfully managed reductions in grant from the JTC for the past decade, with the grant having been reduced in 8 of the past 10 years. Since 2014, Nexus has managed to generate a cumulative surplus of circa £11.000m, of which £7.000m has been invested in transport infrastructure, with the balance held in



## Leadership Board

reserves, available to support frontline services. This has been possible because of a combination of factors:

- Prudent financial management and the ongoing delivery of efficiency savings;
- Growth in Metro fare revenue;
- Growth in DfT Metro Rail Grant;
- A relatively stable secured bus network; and
- A reduction in concessionary fares patronage.

2.31 The pension savings from the latest valuation means that a levy freeze can be accommodated in 2020/21 and provides time for further discussions in relation to the Nexus medium term financial plan position which remains challenging for a number of reasons:

- Despite recent growth in metro fares, the growth in fare revenue has slowed over the past two years and is now static;
- The forecast for 2021/22 and 2022/23 assumes a freeze (real terms reduction) in grant from DfT;
- The forecast also assumes a continuation of the freeze (real terms reduction) in JTC grant 2021/22 and 2022/23;
- Pay and price inflation continue to increase, with some expenditure expected to be in excess of CPI inflation year on year;
- Concessionary fares patronage is expected to increase in future years following a reduction in the latter part of the previous decade;

2.32 The JTC will publish an ambitious Transport Plan next year. This, coupled with the Transforming Cities fund bid and the outcome of planning studies in relation to the Metro, will require further discussions in relation to resourcing.

### Reserves

2.33 A possible means of dealing with the forecast Nexus deficit is the prudent use of reserves. Nexus' reserves as at 31 March 2019 amounted to £50.300m <sup>2</sup> of which:

- £10.000m is assessed as being necessary to cushion the impact of unexpected events or emergencies arising;
- £7.000m is earmarked for capital investment;

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<sup>2</sup> This excludes reserves held by NECA of £6.700m in respect of the new fleet (increasing to £10.000m by 31 March 2020) and £9.200m in respect of the Metro Asset Renewal Programme.

## Leadership Board

- £3.000m is earmarked to cover the expected increase in the fleet Metrocar maintenance agreement (MMA);
- £14.000m is earmarked for the new Metro fleet; and
- £16.000m is available to underpin the revenue budget.

2.34 Planned use of reserves is forecast to reduce the £16.000m available to underpin the revenue budget to £4.600m by 31 March 2023.

### Transport Strategy Unit

2.35 The Transport Strategy Unit (TSU) (previously referred to as the Regional Transport Team) supports the Joint Transport Committee, providing relevant information to support policy choices and to deliver policies at a regional level. The TSU's activities include developing and maintaining:

- The Transport vision and plan;
- The funding plan and bids for external funding;
- Input into the LEP's strategies and plans on transport, and local business organisations;
- A project pipeline and assurance framework;
- Responses to transport consultations and policy-making opportunities by government and other external agencies;
- Input into Transport for the North (TfN)'s pan-Northern policies and plans; and
- Relationships with other authorities (whether local, combined, national or sub-national) with whom the Joint Transport Committee may share a common interest.

2.36 During 2018/19 and 2019/20 the capacity of the TSU has been temporarily enhanced through secondments and fixed term contracts to prepare the bid against Transforming Cities Fund Tranche 2. This work will be complete before the end of the current financial year. The 2020/21 draft budgets have not made any assumptions on funding to be received from the Transforming Cities Fund Tranche 2 bid. Should the bid be successful, costs of programme management have been built into the bid and the budget for 2020/21 and future years will be updated accordingly.

2.37 In addition to the significant current activity of developing the Transport Plan and related delivery programmes, some other major upcoming policy developments could potentially include the development of a new bus strategy, the expansion of the Metro and local rail network, developing a model for rail devolution, and growing the programme to increase the uptake of walking and cycling. Further work is required in considering the scope of these developments, with funding packages to be agreed

## Leadership Board

once requirements are clearer. There are also significant funding opportunities for well-developed bids along with a need for strong delivery programme management.

- 2.38 The TSU is funded through contributions from the Transport Levies which are retained to support JTC activity and a top-slice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC and external contributions to some specific posts.
- 2.39 A summary of the forecast position for 2019/20 including the Transforming Cities Fund (TCF) bid resources (which was agreed after the original budget was set in January 2019) and the initial proposed budget for 2020/21 is set out in the table below, based on previously agreed activity. Should changes be required as a result of the updated Transport Plan which will set clear priorities for the work of the TSU, this will be the subject of future reports to the JTC.
- 2.40 A summary of the budget for 2020/21 is set out below.

*Table 11: Summary of TSU budget 2020/21:*

	<b>2019/20 Original Budget</b>	<b>2019/20 Forecast</b>	<b>2019/20 Forecast Variance</b>	<b>2020/21 Proposed Initial Budget</b>
<b>Gross Expenditure</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Employee costs - Managing Director Transport North East and TSU	658,405	614,819	(43,586)	721,004
Transport Plan and Strategy Work	50,000	70,000	20,000	50,000
TSU Research and Development	180,000	183,044	3,044	120,000
TSU Travel and Miscellaneous	6,000	14,800	8,800	16,000
TSU IT / Equipment / Accommodation	0	20,000	20,000	10,000
TSU Contingency	0	0	0	10,000
Salaries and secondment costs – TCF	241,856	233,847	(8,009)	0
Consultancy and other costs of bid preparation – TCF	191,218	191,218	0	0
<b>Total Expenditure</b>	<b>1,327,479</b>	<b>1,327,728</b>	<b>249</b>	<b>927,004</b>

## Leadership Board

<b>Gross Income</b>				
LTP funding – TSU	(500,000)	(500,000)	0	(500,000)
LGF funding – TSU	(100,000)	(100,000)	0	(95,000)
LGF funding – TCF	(100,000)	(100,000)	0	0
LTP/Levy funding – TCF	(233,074)	(233,074)	0	0
Retained Transport Levy	(31,870)	(47,671)	(15,801)	(128,773)
External funding for specific posts	(139,102)	(178,218)	(39,116)	(148,002)
<b>Total Income</b>	<b>(1,104,046)</b>	<b>(1,158,963)</b>	<b>(54,917)</b>	<b>(871,775)</b>
<b>Use of Reserves</b>				
Regional Transport Team reserves	(123,433)	(1,948)	121,485	(5,229)
Go Smarter legacy funds – TCF	(100,000)	(100,000)	0	0
Go Smarter legacy funds – Other	0	(30,044)	(30,044)	(50,000)
Earmarked reserves - TCF	0	(36,772)	(36,772)	0

- 2.41 The forecast outturn for salaries is less than the original budget due to a number of vacancies in the team. These vacancies have offset a cost pressure for pension contributions which has arisen because the budget assumed that employees would have transferred to the employment of NECA from 1 April 2019 and associated pension savings would have been made.
- 2.42 An increase in forecast costs in relation to the Transport Plan is reflected in the 2019/20 outturn and the 2020/21 budget as a result of additional work on the Plan requested by the Joint Transport Committee. Go Smarter legacy funds will be used to fund these additional costs.
- 2.43 The staffing budget for 2020/21 includes the cost of an admin support post for the team which will also provide support to the Managing Director, Transport Operations and the Tyne Tunnels contract manager.

### Tyne Tunnels

- 2.44 The Tyne Tunnels are fully funded from tolls paid by tunnel users. No government funding was made available for the construction of the second Tyne Tunnel (which opened in 2011) and the refurbishment of the first tunnel which was completed in the same year. The works were funded by a combination of public sector and private

## Leadership Board

sector borrowing, through a Public Private Partnership contract with a private sector concessionaire (TT2 Ltd) who designed and built the new tunnel and operate the tunnels under a contract which runs until 2037. The public sector borrowing was taken out by the then Tyne and Wear Integrated Transport Authority and is to be repaid over a 50-year period. The total current balance of borrowing associated with the Tyne Tunnels is £126.823m.

- 2.45 Contract payments to TT2 are calculated with reference to the traffic using the tunnels and increase with RPI inflation. As a result, actual tolls levied on users are required to increase to keep pace with increases in the contract payments, so the toll is maintained in real terms over the life of the contract. Under the River Tyne (Tunnels) (Modification) Order 2011, tolls can be increased in increments of 10p. Toll increases to date have been in line with expectations presented at the development stage of the New Tyne Crossing project.
- 2.46 The updated forecast outturn for 2019/20 still indicates a breakeven position. Traffic levels have been largely in line with forecasts, slightly higher than in 2018/19 but traffic flow levels remain less than the levels experienced in 2016/17 prior to the commencement of Highways England works at Silverlink in North Tyneside. The forecasts include the costs of the new Tyne Tunnel Manager who will take up their post from March 2020. The forecast for 2020/21 is an overall small surplus of £2,000.
- 2.47 The tables below provide a summary of the forecast for 2019/20 and the indicative budget for 2020/21 and future years

*Table 12: Tyne Tunnels Budget 2019/20 and 2020/21 and initial forecasts to 2022/23:*

## Leadership Board

	2019/20 Original Budget	2019/20 Forecast	2019/20 Forecast Variance	2020/21 Proposed Budget	2021/22 Estimate	2022/23 Estimate
	£000	£000	£000	£000	£000	£000
Tolls Income <sup>3</sup>	(28,090)	(28,160)	(70)	(28,441)	(28,919)	(29,642)
TT2 Contract	21,197	21,233	36	21,653	22,505	22,942
Employees	-	5	5	62	63	65
Pensions	52	52	-	53	55	56
Support Services	95	145	50	100	102	104
Supplies & Services	45	35	(10)	45	47	48
Financing Charges	6,966	7,058	92	6,816	6,416	6,673
Interest /Other Income	(50)	(128)	(78)	(50)	(50)	(50)
Repayment from TWITA for temporary use of reserves	(240)	(240)	-	(240)	(240)	(240)
<b>(Surplus) /Deficit on Tyne Tunnels revenue account</b>	<b>(25)</b>	<b>0</b>	<b>25</b>	<b>(2)</b>	<b>(21)</b>	<b>(44)</b>

2.48 Tyne Tunnels reserves are held in order to manage risks associated with NECA's ownership of the tunnels, to meet any small in-year deficits which may arise on the Tunnels revenue account, to fund capital expenditure relating to the tunnels and to deal with any changes which may arise from changes in accounting treatments.

2.49 The table below summarises the forecast position against the Tunnels reserves.

<sup>3</sup> Toll Income includes an assumed inflation increase in tolls for class 3 vehicles (HGVs) of 10p from May 2020.

## Leadership Board

Table 13: Tyne Tunnels Reserves:

	2019/20 Original	2019/20 Forecast	2020/21 Original
	£000	£000	£000
<b>Tyne Tunnels Reserves b/f</b>	<b>(18,452)</b>	<b>(21,150)</b>	<b>(16,763)</b>
Deficit (Surplus) on Tyne Tunnels revenue account met from reserves	(25)	0	(2)
Capital Expenditure funded from Reserves	260	2,000	100
NESTI Expenditure funded from Reserves	342	342	305
Repayment of funding swaps	0	2,045	0
<b>Tyne Tunnels Reserves c/f</b>	<b>(17,875)</b>	<b>(16,763)</b>	<b>(16,360)</b>

### Reserves

- 2.50 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves forecast at 31 March 2020 and 31 March 2021 is shown in the table below. Reserves are forecast to reduce as a result of the application of funding held in reserves to finance capital investment (for example in 2019/20 on Metro Fleet Renewal and Tyne Pedestrian and Cycle Tunnels refurbishment) and to meet other earmarked expenditure. The level of reserves forecast at 31 March 2021 is considered to be prudent to manage risk associated with the activities of the JTC, taking into account that separate reserves are held by Nexus.

- 2.51 Table 14: Summary of JTC Reserves to 2021

	Actual 1 April 2019	Forecast 31 March 2020	Forecast 31 March 2021
	£000	£000	£000
Tyne and Wear Transport	630	650	650
Tyne Tunnels	21,150	16,763	16,360
Metro Reinvigoration	9,167	9,233	9,233
Metro Fleet Renewal	6,694	1,487	1,487



## Leadership Board

TCF support	37	0	0
Go Smarter Legacy (within Grants Unapplied)	194	64	14
Transport Strategy Unit (within Grants Unapplied)	125	123	118
<b>Total JTC Reserves</b>	<b>37,997</b>	<b>28,320</b>	<b>27,862</b>

### 3. Reasons for the Proposals

- 3.1 The proposals are presented in this report to enable the JTC to set its budget for 2020/21.

### 4. Alternative Options Available

- 4.1 Option 1 – The North East Joint Transport Committee may accept the recommendations set out in the report.

Option 2 – The North East Joint Transport Committee may not accept the recommendations set out in the report.

Option 1 is the recommended option. If the recommendations in the report are not agreed, a special meeting of the JTC would be urgently required in order to agree 2020/21 Transport Levies before the statutory deadline of 15 February.

### 5. Next Steps and Timetable for Implementation

- 5.1 The NTCA Cabinet and NECA Leadership Board will issue the transport levies to their constituent authorities on behalf of the Joint Transport Committee, and this will be presented for agreement on 28 January and 4 February respectively.

### 6. Potential Impact on Objectives

- 6.1 The budgets presented in this report are aligned to the achievement of the Transport policy objectives of the Authority.

### 7. Financial and Other Resources Implications

- 7.1 The financial and other resource implications are set out in the body of the report.

### 8. Legal Implications

- 8.1 The JTC must approve the transport budget and levies unanimously. The NECA Leadership Board and NTCA Cabinet must agree to issue their transport levies by 15 February preceding the financial year to which they relate. The Newcastle upon



## Leadership Board

Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that this function is exercisable only by the JTC.

### 9. Key Risks

- 9.1 Appropriate risk management arrangements are put in place in each budget area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

### 10. Equality and Diversity

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

### 11. Crime and Disorder

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

### 12. Consultation/Engagement

- 12.1 The NECA Constitution requires that consultation on budget proposals prepared in its role as Accountable Body for the JTC be undertaken at least two months prior to the budget being agreed. The draft proposals have been subject to consultation with JTC Overview and Scrutiny Committee, JTC Audit Committee, the Tyne and Wear Sub Committee and constituent councils. Nexus Audit Committee have considered proposals in relation to the Nexus budget and the Chair of the Nexus Audit Committee provided written feedback to the Chair of the JTC. Comments raised as part of the consultation process have been taken into account in the preparation of the final report.

### 13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from this report.

### 14. Appendices

- 14.1 Appendix 1 – Transport Levy Arrangements  
Appendix 2 – Transport Levy Budget  
Appendix 3 – Nexus Summary Revenue Budget Requirement 2020/21  
Appendix 4 – Detailed Nexus Revenue Budget 2020/21  
Appendix 5 – Nexus Overhead Allocation 2020/21

### 15. Background Papers

## Leadership Board

- 15.1 Transport Budget and Levies 2019/20 report to JTC 22 January 2019  
<https://northeastca.gov.uk/wp-content/uploads/2019/01/North-East-Joint-Transport-Committee-22-January-2019-Agenda-Pack.pdf>  
 Budget Proposals 2020/21 report to JTC 23 October 2019  
<https://northeastca.gov.uk/wp-content/uploads/2019/01/North-East-Joint-Transport-Committee-22-January-2019-Agenda-Pack.pdf>  
 Budget Proposals report to JTC 19 November 2019 <https://northeastca.gov.uk/wp-content/uploads/2019/11/Agenda-Pack-JTC-19.11.19.pdf>
- 16. Contact Officers**
- 16.1 Eleanor Goodman, NECA Finance Manager, [eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 0191 277 7518
- 17. Sign off**
- The Proper Officer for Transport:
  - Head of Paid Service:
  - Monitoring Officer:
  - Chief Finance Officer:
- 18. Glossary**
- CPI – Consumer Price Index  
 DfT – Department for Transport  
 ENCTS – English National Concessionary Travel Scheme  
 JTC – Joint Transport Committee  
 LTP – Local Transport Plan  
 MHCLG – Ministry of Housing, Communities and Local Government  
 MMA – Metrocar Maintenance Agreement  
 MRG – Metro Rail Grant  
 NECA – North East Combined Authority  
 NTCA – North of Tyne Combined Authority  
 TCA – Travel Concession Authority  
 TCF – Transforming Cities Fund  
 TfN – Transport for the North

## **Leadership Board**

TSU – Transport Strategy Unit

## Leadership Board

### Appendix 1 – Transport Levy Arrangements

#### Background to Levy Arrangements

Public Transport has traditionally been seen as a county-wide level service, due to the wider geographic nature of transport services. County-wide precepts for Transport costs were replaced in 1990 with levying arrangements, reflecting Government decisions about how public transport grant support was to be provided, i.e. within the Revenue Support Grant paid to metropolitan districts rather than directly to PTAs. The levying arrangements which specified a population apportionment were set out in the Transport Levying Bodies Regulations 1992, now amended by the Transport Levying Bodies (Amendment) Regulations 2015. The regulations reflected the principle that all residents in a county area should contribute equally to access to transport services. In recent years concessionary travel costs have also been classified by MHCLG and DfT as a county-wide level service.

In establishing Combined Authorities with levying powers, Government required population to be used as the basis for levy apportionment. The JTC area, unlike other Combined Authority areas, includes three county areas with very different levels of cost and different levels of grant funding. The difference in costs relates particularly to the cost of concessionary travel reimbursement, which is considerably higher in Tyne and Wear due to the high levels of travel on an urban transport network as well as higher levels of historic public transport borrowing costs. Both of these items are reflected in higher grants historically paid to Tyne and Wear authorities within revenue support grant. It was not therefore possible to have a single transport levy covering the whole JTC area and the amended levy arrangements established three separate levies through legislation: one for Durham County Council, one for Northumberland County Council and one for Tyne and Wear. The difference in transport costs and levies between the three areas can be seen in the chart below:

#### Chart 1: JTC Levies per head of population – 2020/21 Proposed Levies

## Leadership Board



The costs per head of population in Tyne and Wear are higher because they reflect a significantly higher level of concessionary travel activity and the support for secured bus services to provide accessible transport schemes across the county. 'Other' Transport costs also includes capital financing costs relating to transport schemes which are not included in the other levies.

### Apportionment on Population basis in Tyne and Wear

Under the Transport Levying Bodies Regulations, the measure of population which must be used to apportion the Tyne and Wear Transport levy between the constituent authorities is the total resident population at the relevant date of the area of each Authority concerned (the relevant date being 30 June in the financial year which commenced prior to the levying year).

For the 2020/21 levy, this is the 2018 Mid-Year estimates published by the Office for National Statistics (ONS). The population estimates for 2017 and 2018 are set out in the table below. The population estimates for all five authorities have changed by different proportions, as set out in the table below.

	2017 MYE	2018 MYE	Change	
	People	People	People	Percentage
Gateshead	202,419	202,508	89	0.04%
Newcastle	295,842	300,196	4,354	1.45%
North Tyneside	204,473	205,985	1,512	0.73%

## Leadership Board

South Tyneside	149,555	150,265	710	0.47%
Sunderland	277,249	277,417	168	0.06%
<b>Total Tyne &amp; Wear</b>	<b>1,129,538</b>	<b>1,136,371</b>	<b>6,833</b>	<b>0.60%</b>

Apportioning the proposed levy of £61.100m gives the following figures for Tyne and Wear:

	2019/20	2020/21	Change compared to 2019/20	
	£	£	£	%
Gateshead	10,949,433	10,888,380	(61,054)	(0.56)%
Newcastle	16,002,955	16,140,834	137,879	0.86%
North Tyneside	11,060,540	11,075,330	14,790	0.13%
South Tyneside	8,089,866	8,079,396	(10,469)	(0.13)%
Sunderland	14,977,206	14,916,061	(81,145)	(0.54)%
<b>Total Tyne &amp; Wear</b>	<b>61,100,000</b>	<b>61,100,000</b>	<b>0.000</b>	<b>0.00%</b>

## Leadership Board

### Appendix 2 – Transport Levy Budget

	2019/20 Original	2019/20 Revised Forecast	2020/21 Original
	£	£	£
<b>Transport Levies</b>			
Durham	(15,561,536)	(15,561,536)	(15,466,000)
Northumberland	(6,104,370)	(6,104,370)	(6,234,000)
Tyne and Wear	(61,100,000)	(61,100,000)	(61,100,000)
<b>Total Levies</b>	<b>(82,765,906)</b>	<b>(82,765,906)</b>	<b>(82,800,000)</b>

<b>Transport Grants</b>			
Durham	15,551,536	15,551,536	15,456,000
Northumberland	6,094,370	6,094,370	6,224,000
Tyne and Wear (Nexus)	55,666,667	55,666,667	59,000,000
Metro Fleet Replacement reserve	3,333,333	3,333,333	0
<b>Total</b>	<b>80,645,906</b>	<b>80,645,906</b>	<b>80,680,000</b>

<b>Centrally Held Costs (mainly Tyne and Wear)</b>			
Service Level Agreement	210,000	210,000	215,250
External Audit Fee (Transport element)	15,000	15,000	15,000
Independent Members Allowances and expenses (Transport element)	5,000	6,000	6,000
Conferences, Travel and Subsistence	2,000	1,000	1,000
Supplies and Services	22,000	25,000	22,000
JTC Support/Transport Strategy Unit	70,000	47,671	128,773
Transforming Cities Fund Bid Support	11,000	11,000	0
Repayment to Tyne Tunnels (for Pension Deficit payment)	240,000	240,000	240,000
Financing Charges – Interest and DME	1,015,900	1,015,229	972,877
Financing Charges – MRP	529,100	529,100	519,100
<b>Net Expenditure</b>	<b>2,120,000</b>	<b>2,100,000</b>	<b>2,120,000</b>

Contribution (to)/from Reserves	0	(20,000)	0
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## Leadership Board

Tyne and Wear Transport Reserve	2019/20 Original	2019/20 Revised	2020/21 Original
	£	£	£
Reserves brought forward	(513,000)	(630,000)	(650,000)
Reserves contribution in year	0	(20,000)	0
Reserves carried forward	(513,000)	(650,000)	(650,000)



## Leadership Board

### Appendix 3 – Nexus Summary Revenue Budget Requirement 2020/21

#### Revenue Budget 2020/21

	Direct Costs	Income	Net Direct Costs	Indirect Costs	Grants	Loan Interest	Capital Adjustments	2020/21 Net
	£m	£m	£m	£m	£m	£m	£m	£m
ENCTS	34.933	(0.055)	34.878	0.837	-	-	-	35.715
Discretionary CT	3.056	(0.520)	2.536	0.270	-	-	-	2.806
Metro	91.138	(48.050)	43.088	12.171	(27.055)	1.230	(26.593)	2.840
Ferry	1.206	(0.347)	0.859	0.477	-	0.016	(0.201)	1.151
Local Rail	0.236	-	0.236	0.256	(0.252)	0.017	-	0.256
Bus Services	14.324	(2.220)	12.104	1.269	(1.091)	0.268	(0.005)	12.545
Bus Infrastructure	2.849	(0.583)	2.266	0.602	-	0.011	(0.540)	2.339
Public Transport	0.562	(0.148)	0.415	0.899	-	0.034	-	1.347
<b>TOTAL REQUIREMENT</b>	<b>148.305</b>	<b>(51.923)</b>	<b>96.581</b>	<b>16.780</b>	<b>(28.398)</b>	<b>1.575</b>	<b>(27.339)</b>	<b>59.000</b>
<b>JTC GRANT (LEVY)</b>								<b>(59.000)</b>
<b>Deficit/(Surplus)</b>								<b>-</b>

## Leadership Board

### Appendix 4 – Detailed Nexus Revenue Budget 2020/21

Service Area	Direct Cost £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
ENCTS	34.933	(0.055)					34.878
<b>ENCTS</b>	<b>34.933</b>	<b>(0.055)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>34.878</b>
Discretionary CT	2.206	(0.520)					1.686
Concessionary Travel - Ferry	0.005						0.005
Concessionary Travel - Metro	0.844						0.844
<b>DISCRETIONARY CT</b>	<b>3.056</b>	<b>(0.520)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.536</b>
Network Extensions	1.649						1.649
<b>Metro Extensions</b>	<b>1.649</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.649</b>
Metro Farebox (inc. Car Parks)	0.957	(46.370)					(45.413)
Ticketing & Gating	1.180						1.180
Automatic Fare Collection	1.533						1.533
<b>Fare Collection &amp; Revenue</b>	<b>3.670</b>	<b>(46.370)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(42.700)</b>
Commercial	14.283	(1.665)					12.619
Operations and safety	10.250						10.250
Service delivery	2.147						2.147

## Leadership Board

Customer Services	3.882						3.882
Other	0.255						0.255
<b>Metro Services</b>	<b>30.788</b>	<b>(1.665)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>29.123</b>
<b>Service Area</b>	<b>Direct Cost £m</b>	<b>External Income £m</b>	<b>Indirect £m</b>	<b>Grants £m</b>	<b>Loan Interest £m</b>	<b>Asset Financing £m</b>	<b>Net £m</b>
Engineering	1.526						1.526
MMA payment	5.250						5.250
<b>Fleet Engineering</b>	<b>6.776</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>6.776</b>
Rail Infrastructure - Rates	1.650						1.650
Rail Infrastructure - Insurance	1.597						1.597
Rail Infrastructure - Depreciation	27.852						27.852
<b>Metro - Other</b>	<b>31.099</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>31.099</b>
Rail Infrastructure - HV Power	7.266						7.266
Planning Performance	0.734						0.734
Programme Assurance	0.095						0.095
Engineering	0.238						0.238
Buildings & Infrastructure Services	4.796	(0.002)					4.794
Rail Management & Administration	0.117						0.117
Permanent Way	1.654	(0.012)					1.642
Power Supplies	0.782						0.782
Signalling	1.314						1.314
Stores	0.157	(0.001)					0.157

## Leadership Board

Renewals	0.004						0.004
<b>Infrastructure Management</b>	<b>17.156</b>	<b>(0.015)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>17.141</b>
<b>METRO</b>	<b>91.138</b>	<b>(48.050)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>43.088</b>

Service Area	Direct Cost £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Ferry	1.206	(0.347)					0.859
<b>FERRY</b>	<b>1.206</b>	<b>(0.347)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.859</b>
Heavy Rail	0.236						0.236
<b>LOCAL RAIL</b>	<b>0.236</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.236</b>
Contract Management	0.268						0.268
Network Management	0.317						0.317
TaxiCard	0.388	(0.063)					0.325
Secured Bus Services	13.351	(2.157)					11.194
<b>BUS SERVICES</b>	<b>14.324</b>	<b>(2.220)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>12.104</b>
Bus Infrastructure	2.849	(0.583)					2.266
<b>BUS INFRASTRUCTURE</b>	<b>2.849</b>	<b>(0.583)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.266</b>

## Leadership Board

Information	0.562	(0.148)					0.415
<b>PUBLIC TRANSPORT INFORMATION</b>	<b>0.562</b>	<b>(0.148)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.415</b>

Service Area	Direct Cost £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Pensions and Provisions			0.373				0.373
Investment Income			(0.560)				(0.560)
Democratic Services & Executive			1.182				1.182
<b>Central Other</b>	<b>0.000</b>	<b>0.000</b>	<b>0.995</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.995</b>
Media & Communications			0.369				0.369
Print and distribution			0.154				0.154
Marketing			1.167				1.167
Customer Services			0.537				0.537
Retail Sales			0.400				0.400
<b>Customer Services and Communications</b>	<b>0.000</b>	<b>0.000</b>	<b>2.626</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.626</b>
Administration & Secretarial			0.157				0.157
Legal Services			0.389				0.389

## Leadership Board

Finance and Audit			1.553				1.553
Procurement			0.276				0.276
Estates			0.812				0.812
Human Resources			1.024				1.024
Learning and Development			1.897				1.897
ICT			3.498				3.498
<b>Finance and Resources</b>	<b>0.000</b>	<b>0.000</b>	<b>9.605</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>9.605</b>
Health and Safety			2.274				2.274
<b>Health and Safety</b>	<b>0.000</b>	<b>0.000</b>	<b>2.274</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.274</b>
<b>Service Area</b>	<b>Direct Cost £m</b>	<b>External Income £m</b>	<b>Indirect £m</b>	<b>Grants £m</b>	<b>Loan Interest £m</b>	<b>Asset Financing £m</b>	<b>Net £m</b>
Corporate Planning			1.280				1.280
<b>Transport Strategy</b>	<b>0.000</b>	<b>0.000</b>	<b>1.280</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.280</b>
<b>INDIRECT COSTS</b>	<b>0.000</b>	<b>0.000</b>	<b>16.780</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>16.780</b>
Loan Charges					1.575		1.575
Released from:							
Released from Capital Reserves						(1.319)	(1.319)
Released from Capital Grants						(26.020)	(26.020)
<b>ASSET FINANCING</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.575</b>	<b>(27.339)</b>	<b>(25.763)</b>

## Leadership Board

Bus Operators Grant				(1.091)		(1.091)
Heavy Rail Grant				(0.252)		(0.252)
Metro Rail Grant				(26.590)		(26.590)
Other Grant				(0.465)		(0.465)
<b>GRANTS</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(28.398)</b>	<b>0.000</b>	<b>(28.398)</b>
<b>TOTAL REQUIREMENT</b>	<b>148.505</b>	<b>(51.923)</b>	<b>16.580</b>	<b>(28.398)</b>	<b>1.575</b>	<b>(27.339)</b>
JTC Grant				(59.000)		(59.000)
JTC Grant	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(59.000)</b>	<b>0.000</b>	<b>(59.000)</b>
<b>DEFICIT / (SURPLUS)</b>	<b>148.505</b>	<b>(51.923)</b>	<b>16.780</b>	<b>(87.398)</b>	<b>1.575</b>	<b>(27.339)</b>

## Appendix 5 – Nexus Overhead Allocation 2020/21

Indirect Cost Centre	£m	Service Area	£m
Investment Income	(0.560)	ENCTS	0.837
Pensions and provisions	0.373	Discretionary CT	0.270
Democratic Services & Executive	1.182	Metro	12.171
Health and Safety	2.274	Ferry	0.477
Learning and Development	1.897	Local Rail	0.256
Legal Services and Administration	0.546	Bus Services	1.269
Human Resources	1.024	Bus Infrastructure	0.602

## Leadership Board

Finance and Procurement	1.829	Public Transport Information	0.899
Corporate Planning	1.280		
Information Technology	3.498		
Retail & OSS	0.937		
Media & Communications	0.369		
Marketing & Print Unit	1.320		
Property Admin	0.812		

<b>Total Indirect Costs</b>	<b>16.780</b>	<b>Total Indirect Costs</b>	<b>16.780</b>
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## **Appendix 3: Pay Policy**

### **North East Combined Authority Pay Policy Statement 2020/21**

#### **1 Introduction**

This policy outlines the key principles of North East Combined Authority's (NECA) pay policy for 2020/21 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with government guidance issued under the Localism Act 2011 and includes commentary on:

- the approach towards the remuneration of Chief Officers;
- the remuneration of the lowest paid employee;
- the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

The Local Government Transparency Code, published in February 2015 by the government also sets out key principles for local authorities in creating greater transparency through the publication of public data. As part of the code, the government recommends that local authorities should publish details of senior employee salaries. This pay policy forms part of the Authority's response to transparency of senior pay through the publication of a list of job titles and remuneration.

North East Combined Authority is mindful of its obligations under the Equality Act 2010 and is an equal opportunity employer. The overall aim of our Single Equality Scheme is to ensure that people are treated fairly and with respect. The scheme also contains a specific objective to be a diverse organisation, which includes recruiting and retaining a diverse workforce and promoting equality and diversity through working practices. This pay policy forms part of our policies to promote equality in pay practices. By ensuring transparency of senior pay and the relationship with pay of other employees, it will help ensure a fair approach which meets our equality objectives.

In setting the pay policy arrangements for the workforce, the Authority seeks to pay competitive salaries within the constraints of a public sector organisation.

#### **2 Posts defined within the Act as Chief Officers**

The strict definition of Chief Officers within the legislation is limited to:

- The Head of Paid Service
- The Monitoring Officer
- The Statutory Chief Officer and non-statutory Chief Officer under Section 2 of the Local Government and Housing Act 1989
- A Deputy Chief Officer mentioned in Section 2 of that Act.

## Leadership Board

For NECA, these roles are fulfilled by officers who are employed by constituent local authorities and are not NECA employees, and are subject to the pay policies of their employing authorities. No additional remuneration to individuals is paid for fulfilling the NECA roles.

However NECA employs other senior officers to oversee the functions of the Authority. The Managing Director, Transport North East is directly employed by NECA and this post fulfils the role of Proper Officer for Transport which is required under the Order which established the North of Tyne Combined Authority and the North East Joint Transport Committee (JTC), and reports to the JTC. The post also includes the functions of the Director General of Nexus, the Tyne and Wear Passenger Transport Executive, which is a statutory role set out by the Transport Act 1968. Accordingly, NECA classifies this post as a Chief Officer.

### 3 Governance Arrangements

NECA takes advice on setting its pay policy from the constituent local authority providing HR services (Durham County Council). Durham County Council Chief Officer Appointments Committee is defined within the council's constitution as performing the functions under section 112 of the Local Government Act 1972 in relation to these officers. This includes the setting of the pay arrangements for these posts and in doing so the Committee takes into account:

- the prevailing market in which the organisation operates;
- the short and long-term objectives of the council;
- the council's senior structure, financial situation and foreseeable future changes to these;
- the expectations of the community and stakeholders;
- the total remuneration package;
- the links with how the wider workforce is remunerated and national negotiating frameworks;
- the cost of the policy over the short, medium and long term.

The Committee also has access to appropriate external independent expert advice on the subject where required.

## Leadership Board

Decisions on NECA appointments are taken by the Leadership Board, or by the Joint Transport Committee where a post relates to Transport activity.

### 4 Key Principles

- The Chief Officer Pay policy is designed to be easily understood and to be transparent to the post holders and key stakeholders. The structure and level of the pay arrangements will enable the Authority to attract, motivate and retain key senior talent for the authority.
- The policy is based upon spot salaries with clear differentials between levels of work/job size, within a range that is affordable now, will remain so for the medium term, and will be subject to review to ensure it continues to remain fit for purpose. In the first instance it is intended that the Authority will market test the rates of pay when vacancies arise, as part of consideration on whether or not roles continue to be required within the context of the Authority's priorities and commitments at that time.
- A values and behaviours framework is established within the organisation which links to individual job descriptions, person specifications and performance and development reviews. Leaders' behaviours are clearly defined and this ensures that the individual standards of achievement and performance are met and clearly linked to the achievement of the council's objectives and priorities, and the authority's expectations are delivered by post holders within these roles.
- These posts do not attract performance related pay, bonuses or any other additions to basic salary. This approach enables the Authority to assess and budget accurately in advance for the total senior pay bill over a number of years.
- Roles at this level have all been subject to an externally ratified job evaluation scheme that is transparent and auditable to ensure equality proofing of pay levels.
- Other terms and conditions of employment for this group are as defined within the Joint Negotiating Committee for Chief Officers of Local Authorities Conditions of Service handbook, with discretion to set actual pay levels at a local level, but within a national negotiating framework. These posts are part of the nationally defined Local Government Pension Scheme.

### 5 Pay Levels

Individual elements of the remuneration package are established as follows at the point of recruitment into the posts:

## Leadership Board

Role	Salary 01/04/2019
Managing Director, Transport North East	£127,357*

\*These are the salaries that reflect the Pay Award for 2019. At this stage there has been no Pay Offer in respect of Chief Executives or Chief Officers.

With regard Chief Officers Pay Award, the Local Government Office advised on 15 January 2020, a claim had been lodged by GMB and UNISON in respect of local authority Chief Officers.

The claim:

A substantial increase on all salaries and relevant allowances.

*We note the 10% claim made by the Staff Side of the NJC for Local Government Services, and we expect parity of treatment for all local government employees.*

A joint survey of all local authorities to establish the extent of the gender pay gap among Chief Officers across local authorities, and a commitment to a joint approach to removing the gender pay gap.

A commitment to agree a new package to improve Chief Officers' work-life balance *This should include (but not be limited to) an increase in annual leave of one day, and a commitment to incorporate binding rules on working hours into the JNC agreement.*

Increases are made in accordance with the appropriate Joint Negotiating Committee (JNC) Pay Agreements. The JNCs for the Chief Executives and Chief Officers both agreed a pay award of 2% with effect from 1 April 2018 and 2% with effect from 1 April 2019. Both pay agreements covered the period 1 April 2018 to 31 March 2020.

For the rest of the Authority's workforce, the NJC pay agreement for 2018/19 included the introduction of a new pay spine on 1 April 2019. The 2019 pay spine is mandatory. Agreements reached by the NJC are collective agreements and if they are incorporated into employee contracts of employment then the changes will take effect. The new pay spine replaced entirely the existing spine and accordingly employees assimilated across from the current SCP to the new corresponding SCP in April 2019. The NJC produced a circular on 14 June 2018, which provided

## Leadership Board

technical advice on issues relating to assimilating employees onto the new pay spine. The Authority has complied with the NJC guidance (i.e. one approach to be applied consistently and a maximum of five spinal column points for each grade).

The Pay Offer for 2020

The three NJC Trade Unions have submitted a joint claim for the majority of local authority workers, who are covered by the National Joint Council (NJC) Green Book collective agreement (24 July 2019)

The claim:

A real living wage of £10 per hour to be introduced for NJC spinal column point 1 and a 10% increase on all other NJC/GLPC pay points

A one day increase to the Green Book minimum paid annual leave entitlement

A two hour reduction in the Green Book standard working week

A joint national review of the workplace causes of stress and mental health throughout local authorities

At this stage there has been no response

## 6 The Authority's Policy on the Remuneration of its Lowest Paid Workers

### Definition of Lowest Paid Workers

NECA employees below senior officer level are subject to the national framework as outlined in the National Joint Council for Local Government Services "Agreements on Pay and Conditions of Service". This ensures that the lowest paid workers and the wider workforce share equitable terms and conditions and access to pay and condition arrangements that are set within a national negotiating framework.

The lowest paid post in the NECA establishment is a range from Spinal Column Point 12 which equates to a full time annual salary of £21,589 (at 1 April 2019). This is the Authority's definition of 'lowest paid workers'.

At this stage there have been no further details in respect of the 2020/21 Pay Awards.

## Leadership Board

### **7 The Policy Relationship between Chief Officers Pay, the Lowest Paid Workers, and the Wider Workforce**

#### **Current Position**

In setting the relevant pay levels, a range of background factors outlined at were taken into consideration for senior pay alongside the scope and scale of the Authority.

For 2020/21, the ratio between the pay of the highest and the lowest paid posts employed by NECA is 5.9 (2020/21 pay award pending), against figures published by government of an expectation to always be below 20:1 in local government.

The ratio between the highest and median paid posts employed by NECA is 3.3.

### **8 Pay Policy Objectives**

This planned approach towards pay for the wider workforce, and the use of established and equality impact assessed job evaluation schemes in the exercise will ensure:

- a planned approach towards pay policy for the organisation that enables the Authority to establish a relationship between pay for senior officers, the low paid and the wider workforce to align to the national guidance;
- the provision of accountability, transparency and fairness in setting pay for North East Combined Authority.

### **9 Pay Policy Decisions for the Wider Workforce**

The decision making power for the implementation of new pay arrangements is one for the Leadership Board of the Authority, ensuring that decisions in relation to workforce pay are taken by those who are directly accountable to local people.

### **10 The Approach towards Payment for those Officers Ceasing to Hold Office Under or be Employed by the Authority**

The Authority has an agreed policy in relation to officers whose employment is terminated via either voluntary or compulsory redundancy. This policy provides a clear, fair and consistent approach towards handling early retirements and redundancy for the wider workforce, including Chief Officers.

## Leadership Board

In setting policy, the Authority does at this time retain its discretion to utilise the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales Regulations) 2006.

### **11 Policy towards the Reward of Chief Officers Previously Employed by the Authority.**

Chief Officers leaving the authority under regulations allowing for early access to pension are leaving in circumstances where there is no longer a suitable role for them, and in such circumstances, they leave the employment of the Authority. Immediate re-engagement in another role would negate redundancy by operation of the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999.

The Authority would not expect such officers to be offered further remunerated employment with the Authority or any controlled company without such post being subject to external competition.

The administering authority for the Local Government Pension Scheme does not currently have a policy of abating pensions for former employees who are in receipt of a pension, although this is an area that is kept under review.

The Authority is mindful of its obligations under equality legislation and as such is limited in its ability to adopt a policy that it will not employ people of an age that has entitled them to pension access on leaving former employment in the public sector or to propose that such applicants be employed on less favourable terms than other applicants. It expects all applicants for any posts to compete and be appointed on merit.





## Leadership Board

## Agenda Item 10

**Date:** 4 February 2020  
**Subject:** Capital Programme 2020/21  
**Report of:** Chief Finance Officer

### Executive Summary

This report provides the Leadership Board with an updated forecast capital outturn for 2019/20 and presents the initial 2020/21 capital programme, totalling £134.446m for consideration and approval.

The report includes details of the Transport Capital Programme approved by the North East Joint Transport Committee (JTC) on 21 January 2020, which will be administered by NECA in its role as Accountable Body for the JTC. The full report to the JTC is set out at Appendix 1.

The report identifies that the updated forecast of capital expenditure for 2019/20 is £137.479m against the revised programme of £136.467m, a forecast overspend of £1.012m. The forecast overspend relates to the transport capital programme and is being funded from earmarked reserves. The revised programme reflects reprofiling of schemes from last year, taking into account the 2018/19 outturn and new grant approvals made since the original capital programme was set in February 2019.

The initial capital programme for 2020/21 and the indicative programme for future years (some of which is dependent upon the outcome of government funding announcements) currently totals £134.446m for 2020/21. This has the potential to increase significantly should positive announcements on government funding approvals be received, particularly in relation to the Transforming Cities Fund 2 bid.

At this point NECA remains the Accountable Body for the North East LEP, therefore, in addition to the transport capital programme, the report includes capital budgets in relation to the Enterprise Zones (EZ) and Local Growth Fund programmes, decisions on which are taken by the North East Local Enterprise Partnership (North East LEP) Board.

It is anticipated the Accountable Body role for the North East LEP will transfer to the North of Tyne Combined Authority (NTCA) from 1 April 2020, at which point these elements will need to be removed from the NECA capital programme and instead managed by NTCA on behalf of the LEP.

## Leadership Board

Appendix 3 contains the NECA Treasury Management Strategy, the expected treasury operations for this period and provides details of the Treasury Management Strategy and Statement on Minimum Revenue Provision (MRP). This fulfils NECA's legislative requirements with regards to compliance with the CIPFA Prudential Code for Capital Finance.

### Recommendations

The Leadership Board is recommended to:

- Receive this report for consideration and comment;
- Note the forecast outturn position for 2019/20 set out in section 2.1 to 2.3 of this report;
- Unanimously approve the proposed capital programme for 2020/21 which amounts to £134.446m, as set out in section 2.5, noting that the programme will need to be amended upon receipt of Government announcements on funding bids and in light of the transfer of the Accountable Body role for the North East LEP on 1 April 2020;
- Agree the Prudential Indicators and Limits for 2020/21-22/23 contained within Appendix 3 of the report, including the Authorised Limit;
- Agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 3 which sets out the Authority's policy on MRP;
- Agree the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 3;
- Agree the Cash Investment Strategy 2020/21 contained in the Treasury Management Strategy within Appendix 3;

## Leadership Board

### 1. Background Information

- 1.1 This report provides an updated forecast of outturn against the revised capital budget for 2019/20 and outlines the proposed capital programme for 2020/21 and the funding sources identified to deliver it. The capital programme covers a wide range of economic and regeneration initiatives and transport improvements.
- 1.2 In its role as accountable body for the JTC, NECA accounts for the transport capital programme, which is set and overseen by the JTC, so this is included in summary in the budgets included in this report.
- 1.3 The capital programme includes North East LEP capital activity (Local Growth Fund and Enterprise Zones). It is anticipated that the Accountable Body role for the North East LEP will transfer to NTCA from 1 April 2020, at which point the North East LEP activity will be overseen by and reported to NTCA and no longer be reported as part of the NECA programme.

### 2. Proposals

#### 2019/20 Capital Programme Update

- 2.1 The latest estimate of the capital outturn position for 2019/20 is for capital expenditure to total £137.479m, which is summarised in Table 1 below. The revised programme reflects reprofiling of schemes from last year, taking into account the 2018/19 outturn and new grant approvals made since the original capital programme was set in February 2019. Full details of the Transport Programmes are set out in the report to the JTC attached at Appendix 1.

#### 2.2 **Table 1: Capital Programme 2019/20 Forecast**

	Original Budget 2019/20	Revised Budget 2019/20	Forecast Outturn 2019/20	Forecast Variance 2019/20
	£m	£m	£m	£m
LGF (non-Transport) schemes	18.668	21.289	21.289	0.000
Enterprise Zones	40.255	22.350	22.350	0.000

## Leadership Board

Transport Programmes	81.944	92.828	93.840	1.012
<b>Total</b>	<b>140.867</b>	<b>136.467</b>	<b>137.479</b>	<b>1.012</b>

The current planned financing of the 2019/20 capital programme is set out in the table below.

**Table 2: Capital Programme 2019/20 Funding**

	<b>2019/20 £m</b>
Government Grants	101.147
Borrowing (Enterprise Zones capital investment by local authorities)	22.350
Earmarked Reserves	13.982
<b>Total Funding</b>	<b>137.479</b>

### 2020/21 Capital Programme

- 2.3 The initial capital programme for 2020/21 totals £134.446m, including provision for over programming, which is summarised below in Table 2, along with indicative figures for future years. More detail is included in the following sections. The programme will be updated as further information becomes available, particularly anticipated announcements with regards to the Transforming Cities Fund 2 bid and regular monitoring reports will continue to be presented to the JTC and the Leadership Boards across the coming year.

2.4 **Table 3: Proposed Capital Programme 2020/21-2022/23**

	<b>2020/21 Programme</b>	<b>2021/22 Indicative</b>	<b>2022/23 Indicative</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
LGF (non-Transport) schemes	23.837	6.021	0.000
Enterprise Zone Intervention	28.726	22.388	19.422
Transport Programmes	81.883	98.144	133.733

## Leadership Board

<b>Total</b>	<b>134.446</b>	<b>126.553</b>	<b>153.155</b>
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### Local Growth Fund Capital Programme

- 2.5 2020/21 will represent the sixth and penultimate year of the Local Growth Fund Programme, which covers schemes linked to Economic Development Assets, Innovation, Transport and Skills. The transport elements of the programme were included in the transport capital programme agreed by the Joint Transport Committee (see report at Appendix 1) on 21 January 2020. The programme is due to end during 2021/22.
- 2.6 At the time of preparing the report, 30% of the annual budget had been expended. Based largely on the most recent monitoring returns available at the time of preparing the report and information subsequently reported from a number of projects, the latest forecast LGF budget expenditure for 2019/20 is for an underspend of approximately £1.800m. The latest forecast underspend takes into account confirmed repayments, expected in quarter 4, on the Swans Quay Stage 1 and Scotswood Bridgehead projects totalling £0.307m. The forecast temporary funding swap amount required to support revenue activities this year has increased slightly to £1.020m.
- 2.7 Forecasts for the current and future years are based on the returns available from project sponsors at the time of writing this report. Where updated information is available this will be reported verbally at the meeting in the event that there are significant changes. Details of LGF Transport schemes are included in the capital programme report to the JTC attached as Appendix 1.

2.8 **Table 4: Local Growth Fund Programme 2019/20-2021/22**

	<b>Forecast Outturn 2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Innovation	2.030	2.153	0
Economic Assets	16.786	18.109	5.393
Skills	0.952	0.726	0.000
Business Growth	0.000	2.000	0.000

## Leadership Board

Programme Management	0.950	0.850	0.628
<b>Total Excluding Transport</b>	<b>21.289</b>	<b>23.837</b>	<b>6.021</b>

## Leadership Board

### Enterprise Zones Capital Investment

- 2.9 The first round of Enterprise Zones was launched in April 2012 (round 1) to support economic growth by providing a range of interventions to help businesses start-up, grow and expand. Following this success, a second round of sites went live in April 2016 (round 2). The projected capital investment in Enterprise Zones (EZ) in 2019/20 totals £22.350m, with £28.726m projected for 2020/21. In respect of the round 1 schemes the main expenditure is in relation to the East Sleekburn (Northumberland Energy Park) project. In terms of the round 2 schemes the main expenditure is on the Newcastle International Airport, Ashwood Business Park and Port of Sunderland projects. Full details are shown in Appendix 2.
- 2.10 These projects are funded by a mix of temporary use of grants and other North East LEP funds and borrowing, as set out in the Business Rate Growth Initiative pooling agreement and the funding agreements for each site. For new expenditure funded by borrowing, this is carried out by the Authorities in which the EZ schemes are located and income to service the borrowing is provided each year from the EZ account, which is currently managed by NECA as Accountable Body for the North East LEP. This responsibility will transfer to NTCA once the Accountable Body changes from 1 April 2020. The indicative remaining overall EZ programme costs amounts to over £165.415m and is shown in more detail in Appendix 2.
- 2.11 EZ capital budget allocations are approved by the North East LEP Board with capital expenditure and financing undertaken by the local authority in which the EZ site is located and shown in their accounts. The Accountable Body holds the EZ revenue accounts on behalf of the North East LEP and administers the payments for any temporary LEP grants and revenue payments to support borrowing costs in the local authorities.

2.12 **Table 5: Enterprise Zones Capital Investment**

	Forecast Outturn 2019/20	2020/21	2021/22	Future Years
	£m	£m	£m	£m
Round 1 EZ Schemes	16.280	6.717	6.451	11.489
Round 2 EZ Schemes	6.070	22.009	22.388	30.161

## Leadership Board

<b>Total</b>	<b>22.350</b>	<b>28.726</b>	<b>28.839</b>	<b>42.010</b>
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### Transport Capital Programme

- 2.13 The Transport Capital Programme for 2020/21 and indicative amounts for 2021/22 and 2022/23 was approved by the JTC on 21 January 2020. The report also provided an update on the latest forecast of outturn for 2019/20. Details of the elements making up the transport capital programme are set out in the report to the JTC, which is attached as Appendix 1.

### Funding the 2020/21 Programme

- 2.14 The proposed financing for expenditure in the 2020/21 programme is set out in the table below:

**Table 6: Capital Programme 2020/21 Funding**

	<b>2020/21 £m</b>
Government Grants	87.079
Borrowing (Enterprise Zones capital investment by local authorities)	28.726
Earmarked Reserves	18.641
<b>Total Funding</b>	<b>134.446</b>

### Prudential Code and Treasury Management

- 2.14 Appendix 3 outlines the authority's prudential indicators for 2020/21 to 2022/23, sets out the expected treasury operations for this period and provides details of the Treasury Management Strategy and Statement on MRP.
- 2.15 Appendix 3 and this section of the report fulfils the following legislative requirements:
- The reporting of prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;
  - The need to have a cash investment strategy which sets out the Authority's criteria for choosing investment counterparties and limiting



## Leadership Board

exposure to the risk of loss. This element of the strategy is in accordance with the CLG Investment Guidance;

- The need for a Treasury Management Strategy statement which sets out the how the treasury service will support the capital decisions taken in this report, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator being the 'Authorised Limit', the maximum amount of debt the Authority could afford in the short term but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code;
- The Authority's Minimum Revenue Provision (MRP) Statement, which sets out how the Authority will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007).

2.16 The above policies and parameters provide an approved framework within which officers undertake day to day capital and treasury activities.

### 3. Reasons for the Proposals

3.1 The proposals are presented in this report to enable the Leadership Board to agree its capital programme for 2020/21 and to adhere to legislative requirements with regards to compliance with the CIPFA Prudential Code for Capital Finance. Appendix 3 therefore contains the NECA Treasury Management Strategy, the expected treasury operations for this period and provides details of the Treasury Management Strategy and Statement on Minimum Revenue Provision (MRP)

### 4. Alternative Options Available

4.1 Option 1: The Leadership Board may accept the recommendations set out in this report.

Option 2: The Leadership Board may not accept the recommendations set out in this report.

Option 1 is the recommended option.

### 5. Next Steps and Timetable for Implementation

## Leadership Board

- 5.1 The initial capital programme for 2020/21 and the indicative programme for future years will be subject to change and these changes will be reported to subsequent meetings. The programme will potentially increase significantly should positive announcements on government funding approvals be received, particularly in relation to the Transforming Cities Fund 2 bid.
- 5.2 At this point NECA is still the Accountable Body for the North East LEP, therefore, in addition to the transport capital programme, the report includes capital budgets in relation to the Enterprise Zones (EZ) and Local Growth Fund programmes. Responsibility for this will transfer to NTCA on 1 April 2020
- 5.3 The capital programme will be updated during the coming year and regular monitoring reports will be presented for consideration and approval to the Leadership Board or other committees as appropriate.
- 6. Potential Impact on Objectives**
- 6.1 The capital investment set out in the report will have a positive impact on the objectives of the Authority and the North East LEP in each of its thematic areas.
- 7. Financial and Other Resources Implications**
- 7.1 The financial and other resources implications are set out in the main body of the report.
- 8. Legal Implications**
- 8.1 It is noted that both the recommended resolutions require unanimous approval in accordance with the NECA Constitution.
- 9. Key Risks**
- 9.1 Appropriate risk management arrangements are in place and managed by the teams delivering the capital programme on the Authority's behalf.
- 10. Equality and Diversity**
- 10.1 There are no equality and diversity implications arising from this report.
- 11. Crime and Disorder**
- 11.1 There are no crime and disorder implications arising from this report.

## Leadership Board

### 12. Consultation/Engagement

- 12.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The draft proposals were subject to consultation with the Leadership Board, Overview and Scrutiny Committee, Audit and Standards Committee and officer groups and the final proposals are in line with those. In its accountable body role for the JTC, Transport proposals were also subject to consultation with the JTC Overview and Scrutiny Committee, JTC Audit Committee, the JTC Tyne and Wear Sub Committee and constituent councils. Comments raised as part of the consultation process have been taken into account in the preparation of the final report.
- 12.2 The planned capital expenditure set out in this report comprises previously approved investments. Particular schemes making up the elements of the programme will be subject to local consultation where relevant.

### 13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from these proposals.

### 14. Appendices

- 14.1 Appendix 1 – North East Joint Transport Committee Capital Programme report 21 January 2020  
Appendix 2 – Enterprise Zones Investment  
Appendix 3 – North East Combined Authority Annual Treasury Management Strategy 2020/21

### 15. Background Papers

- 15.1 NECA Capital Programme report 5 February 2019, <https://northeastca.gov.uk/wp-content/uploads/2019/01/Leadership-Board-5-February-2019-Supplemental-Agenda-Pack.pdf>

### 16. Contact Officers

- 16.1 Eleanor Goodman, NECA Finance Manager,  
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## Leadership Board

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### 17. Sign Off

- 17.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

## Leadership Board

### Appendix 1 – North East Joint Transport Committee Capital Programme Report

**Date:** 21 January 2020

**Subject:** Transport Capital Programme 2020/21

**Report of:** Chief Finance Officer

#### Executive Summary

This report provides the Joint Transport Committee with an updated forecast capital outturn for 2019/20 and presents the initial 2020/21 capital programme, totalling £81.883, for consideration and approval.

The report identifies that the updated forecast of capital expenditure on Transport schemes is £93.840m against the revised programme budget of £92.828m, an outturn forecast overspend of £1.012m, which will be financed from earmarked reserves. The revised programme reflects reprofiling of schemes from last year, taking into account the 2018/19 outturn and new grant approvals made since the original capital programme was set in January 2019. Expenditure to 30 November 2019 totalled £30.886m – 32.9% of the forecast total capital expenditure for the year.

In terms of the initial capital programme for 2020/21 and the indicative programme for future years, some of which is dependent upon the outcome of government funding announcements, the initial 2020/21 programme currently totals £81.883m. This has the potential to increase significantly should positive announcements on government funding approvals be received.

Transport schemes within the Local Growth Fund (LGF) programme are largely coming to an end in 2019/20, with £4.250m of expenditure forecast for this financial year (excluding schemes included in the Nexus capital programme) and £0.317m included in the programme for 2020/21.

Transforming Cities Fund (TCF) Tranche 1 funding of £9.102m is expected to be delivered and fully expended in 2019/20. A TCF Tranche 2 bid for a total programme of up to £467.189m including local contributions was submitted to DfT on 28 November. The outcome of the tranche 2 bid is expected to be announced in March.

The report sets out details of the Nexus capital programme for 2020/21, totalling £70.257m, which includes: the Asset Renewal Programme (MARP, £22.222m), Metro Fleet Replacement (£46.086m), Nexus Digital Asset Renewal Programme (DARP, £1.444m) and

## Leadership Board

Cross-Tyne Ferries (£0.505m). Indicative figures for 2021/22 and 2022/23 are included, which are subject to approval of funding.

Total capital expenditure forecast in 2019/20 by Nexus is £65.776m, against a revised programme budget of £66.805m – an in year forecast under spend of £1.029m. Actual capital expenditure incurred by Nexus to 30 November, 2019 was £18.977m, 28.4% of the total forecast expenditure to the year end.

## Recommendations

The North East Joint Transport Committee is recommended to:

- i. Note the latest position in respect of the 2019/20 capital programme, set out in section 2.2;
- ii. Approve the proposed initial capital programme for 2020/21 which amounts to £81.883m as set out in section 2.3.

## Leadership Board

### 1. Background Information

- 1.1 This report provides details of the initial capital programme for 2020/21 and indicative proposals for future years, together with details of the funding sources identified to deliver the programme, which covers a wide range of transport investments.
- 1.2 The report is based on the latest available information about the planned capital programme, which will be updated as new information becomes available, such as the outcomes of bids for additional funding and will be subject to monitoring reports during the year. The report also includes an updated forecast against the revised 2019/20 capital programme.

### 2. Proposals

#### 2019/20 Capital Programme Update

- 2.1 In January 2019 a base capital programme totalling £81.944m was approved by the JTC. The programme was subsequently revised following the 2018/19 outturn and the latest approved programme now totals £92.828m. Expenditure at this stage in the year totals £30.886m which is in line with expectations. The projected outturn is estimated to be £93.840m. A summary of the Transport capital programme for 2019/20 is set out in the table below, with further details provided in the following sections:

*Table 1: 2019/20 Capital Programme Forecast*

	2019/20 Original	2019/20 Revised	2019/20 Forecast	Forecast (Under) / Over Spend	Expend- iture to date
	£m	£m	£m	£m	£m
Local Growth Fund Transport Schemes <sup>1</sup>	3.784	3.445	4.250	0.805	1.446
Transforming Cities Fund Tranche 1	0.000	9.102	9.102	0.000	0.624
Go Ultra Low	0.995	1.083	1.083	0.000	0.590
Metro Asset Renewal Plan	33.987	32.853	32.335	(0.518)	14.738
Metro Fleet Replacement	30.200	30.200	30.200	0.000	3.792

<sup>1</sup> Excluding amounts for Metro Learning Centre at South Shields, shown within Nexus capital programme lines

## Leadership Board

Nexus non-Metro	1.486	3.752	3.241	(0.511)	0.447
Tyne Tunnels	0.260	0.854	2.090	1.236	1.813
Local Transport Plan <sup>2</sup>	11.232	11.539	11.539	0.000	7.436
<b>Total</b>	<b>81.944</b>	<b>92.828</b>	<b>93.840</b>	<b>1.012</b>	<b>30.886</b>

### 2020/21 Capital Programme

- 2.2 The initial capital programme for 2020/21 totals £81.883m and is set out in the table below, together with indicative figures for 2021/22 and 2022/23. More detail on these investments is included in the following sections. The figures do not yet include the additional resources that are anticipated from bids for additional transport funding, principally the Transforming Cities Fund Tranche 2 bid, which was submitted at the end of November 2019. The indicative Metro ARP programme for 2021/22 and 2022/23 is included but is subject to confirmation of DfT funding.

- 2.3 *Table 2: Summary Transport Capital Programme 2020/21-2022/23*

	<b>2020/21 Programme £m</b>	<b>2021/22 Indicative £m</b>	<b>2022/23 Indicative £m</b>
LGF Transport Schemes	0.317	0.000	0.000
Metro ARP	22.222	41.639	42.760
Metro Fleet Replacement	46.086	43.980	78.645
Nexus Digital Asset Renewal Programme	1.444	0.858	0.600
Cross Tyne Ferries	0.505	0.358	0.419
Local Transport Plan <sup>3</sup>	11.309	11.309	11.309
<b>Total Capital Programme</b>	<b>81.883</b>	<b>98.144</b>	<b>133.733</b>

### Local Growth Fund (LGF) Transport Schemes

<sup>2</sup> Excluding amounts for local contribution to Metro ARP, shown within Nexus capital programme lines

<sup>3</sup> Excludes amounts shown within Nexus Metro ARP.



## Leadership Board

- 2.4 2019/20 is the fifth year of the Local Growth Fund (LGF) programme, which covers Economic Assets, Innovation, Transport and Skills themed projects. Many of the transport schemes within this element of the capital programme have exhausted the drawdown of the LGF elements of their funding and the programme is therefore smaller than it has been in recent years. Expenditure to November 2019 totalled £1.446m, and the forecast for the year based on the quarterly monitoring returns from schemes received at the time of writing the report totals £4.250m. This includes the following key projects:
- £2.278m forecast for payment to Durham County Council for the Horden Rail Station scheme, of a total £3.34m LGF approval. The scheme involves the construction of a new station on the Durham Coast Line to provide improved public transport access to the people and businesses of Horden and Peterlee, including the adjacent communities of East Durham. The target date for the opening of the station is summer 2020.
  - £1.232m forecast for payment to North Tyneside Council for the A19 North Bank of Tyne (Swans) Stage 2 scheme which involves improvements to roundabouts and approach roads, improvements to other junctions and improved cycling and walking facilities in the area.
  - Other payments are forecast to be made in year to other local authority schemes including the Northern Access Corridor Phase 2 and 3 (Newcastle City Council), Traffic Movements along A185/A193/A19 (The Arches) (South Tyneside Council) and A1065-A189 Weetslade Roundabout improvements (North Tyneside Council).
- 2.5 There is also LGF expenditure forecast on the Nexus Learning Centre at South Shields which is included within the Nexus capital programme set out later in this report.
- 2.6 The LGF capital programme continues to be managed in accordance with the North East Local Enterprise Plan (North East LEP) Assurance Framework, which is subject to annual review by the North East LEP Board and updated where required to meet latest best practice guidance.
- 2.7 Currently there is only one Transport scheme which remains in the programme for 2020/21, the final year of the LGF programme. This is Jade Business Park (inc. A19/A189 Seaham Murton interchange), with a forecast of £0.390m included in the 2020/21 LGF programme.

### Transforming Cities Fund (TCF)

## Leadership Board

- 2.8 The Transforming Cities Fund represents a significant opportunity for the region to source capital funding for public transport and sustainable transport infrastructure. An initial £10m allocation was secured for the region from Tranche 1, which was announced and received in March 2019. Works are under way to construct the schemes funded by this award, which are all expected to complete during 2019/20.
- 2.8 Grant Funding Agreements for all Tranche 1 projects have been sealed by NECA on behalf of the JTC and by scheme promoters. At the time of writing this report, the first claims have been received and initial payments made to scheme promoters, with further claims due at the end of the third and fourth quarters of the year.
- 2.9 The forecast to the end of 2019/20 for Tranche 1 schemes is £9.102m (£0.898m was accrued in 2018/19) which will represent full utilisation of the grant funding.
- 2.10 A second, much larger TCF Tranche 2 bid has been the subject of previous reports to the JTC and was submitted to the DfT on 28 November 2019.
- 2.11 The programme submitted has five thematic packages focussed on key transport corridors into and within the region's town and city centres. The programme enhances existing infrastructure and services to transform the transport offer to enable people in the region to be able to travel easily and flexibly by public and sustainable transport to benefit the economy, environment and wider society. This will realise a low carbon, sustainable network that opens travel horizons, increases mobility and drives up productivity through better connections between urban centres, employment sites and suburbs. Plans to increase the frequency, reach and reliability of Metro, local rail and bus services are complemented by investment in cycling and walking, city centre gateways, transport technology and Park & Ride. Included within the bid is £74.000m local match funding.
- 2.12 *Table 3: Summary of High, Medium and Low scenarios submitted in TCF Tranche 2 bid*

	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total £m</b>
High Scenario	122.934	146.481	197.774	467.189
Medium Scenario	114.412	139.394	196.174	449.980
Low Scenario	108.601	129.596	181.661	419.857

### Go Ultra Low

## Leadership Board

- 2.13 The Go Ultra Low project has been the subject of previous reports to the Joint Transport Committee. The project is jointly funded through funding from Office for Low Emission Vehicles (OLEV) and European Regional Development Funding (ERDF) and includes the construction of one of the UK's first Electric Vehicle (EV) filling stations at West Wear Street in Sunderland city centre, along with the installation of a number of rapid charging clusters across the region. The electric vehicle filling station in Sunderland became operational in April this year with an official opening in June, and it has been positively received. The 11 EV charging hubs which are also funded through the Go Ultra Low North East programme are being delivered through the summer and autumn 2019 are installed at strategic locations around the region.
- 2.14 Capital expenditure to the end of November 2019 was £0.590m. The project is due to complete during the 2019/20 financial year and is therefore not included in the programme for 2020/21. If further funding becomes available, the Transport Strategy Unit (TSU) will utilise the recommendations from the charging behaviour research study to undertake a feasibility study to identify a pipeline of locations where chargers should be installed. Forecast expenditure to the year-end is £1.083m, which takes into account slippage from 2018/19.

### Nexus Capital Programme

#### Background

- 2.15 Nexus' planned capital programme for 2020/21 to 2022/23<sup>4</sup> includes investment in five main areas:
- i. Metro Infrastructure (the Metro Asset Renewal Programme or MARP);
  - ii. A new fleet of Metrocars;
  - iii. Nexus' digital infrastructure (the Digital Asset Renewal Programme or DARP);
  - iv. Metro enhancements e.g. Metro Flow, Park and Ride and digital car parking; and
  - v. Other assets e.g. the cross Tyne ferry
- 2.16 Funding for (i) to (iv) is largely provided by the DfT:
- i. For the MARP, 2020/21 represents the final year of an 11-year investment programme that commenced in April 2010. An application for funding covering the period 2021/22 to 2030/31 has been submitted to DfT who are actively considering this future investment need;

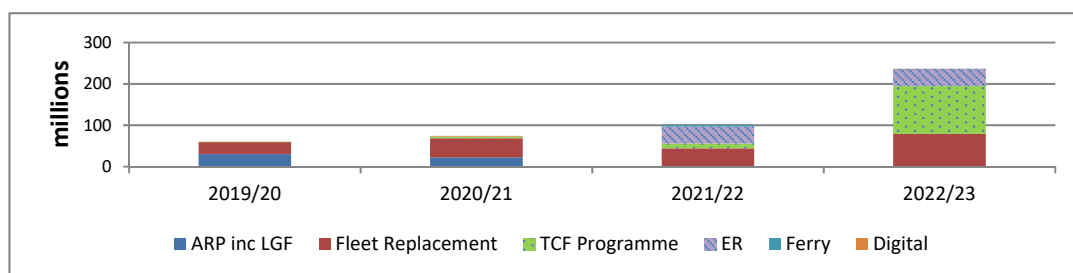
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<sup>4</sup> A large proportion of planned capital investment is subject to funding bids submitted to DfT

## Leadership Board

- ii. In relation to the new Fleet, preferred tenderer status has been conferred on one of the Best and Final Offer (BAFO) tenderers for the manufacture of the new fleet, construction of the new Gosforth depot and maintenance of both old and new trains. The Final Business Case (FBC) was recently accepted by DfT's Business Investment Commercial Committee (BICC) and a ministerial announcement, together with grant funding conditions is expected in early 2020, with contract award scheduled for 17 January 2020;
- iii. For the DARP, a number of digital upgrades to support Metro operations are required. These upgrades are also reliant on DfT funding, alongside the MARP;
- iv. Metro enhancements are subject to a bid for external funding from the DfT via the Transforming Cities Fund (TCF).

- 2.17 In terms of other capital investment, some of which relates to non-Metro digital enhancements as well as investment in the cross Tyne ferry service, a combination of other external funding e.g. the LTP Integrated Transport Block grant and Nexus' own internal funds e.g. capital reserves is required.
- 2.18 In addition, the revenue budget supports developmental work in pursuit of new investment opportunities e.g. economic planning studies in connection with the Metro Futures programme.
- 2.19 Subject to funding approvals, the scale of the programme being delivered could increase considerably over the next 36 months. Therefore, resource planning across multiple disciplines will be undertaken to ensure Nexus has the optimum capacity and skills to deliver this step-change in investment efficiently.
- 2.20 The graph below shows the potential increase in Nexus' programme value should confirmation of funding approvals be received (compared to 2019/20), which continues at a similar level in 2023/23:



### Tyne and Wear Metro Asset Renewal Programme (MARP)

## Leadership Board

- 2.21 Nexus is nearing the end of the tenth year of its eleven-year renewal programme to upgrade and replace many of the assets across the Tyne and Wear Metro system.
- 2.22 The latest forecast indicates that by the end of March 2020, circa £330m of the £352m eleven-year funding allocation will have been defrayed, leaving £22m available from a combination of Metro Rail Grant (£20m) and local funding £2m). The proposed programme for 2020/21 is summarised in the table below and is detailed at Appendix 1.

*Table 4: Metro Asset Renewal Programme 2020/21*

<b>Asset Category</b>	<b>MARP 2020/21 £m</b>
Civils	0.674
Permanent Way	5.017
Overhead Line	3.708
Stations	1.729
Communications	0.754
Signalling	2.424
Plant	1.412
Nexus Learning Centre	0.532
Capital Maintenance/Other	5.972
<b>Total</b>	<b>22.222</b>

- 2.23 A number of significant projects across a range of different asset categories are planned. These are detailed below:
- i) Civils  
Repairs to bridges in the Pelaw area which cross Network Rail infrastructure;
  - ii) Permanent Way  
Renewal and refurbishment of track between Heworth and Pelaw.
  - iii) Overhead Line Equipment  
Continuation of the programme of contact wire renewal and cantilever replacement.
  - iv) Stations  
Track adjustments to ensure that the platform/track interface is within stated tolerances.

## Leadership Board

- v) Communications  
Replacement of CCTV cameras across the network.
- vi) Signalling  
Installation of new track circuit equipment and work to arrest cable degradation throughout the network.
- vii) Capital Maintenance/Other  
Investment in the old fleet in order to prevent further degradation and help maintain performance until the new fleet is operational. Road and rail vehicle replacement and rail grinding.

- 2.24 Despite the eleven-year programme successfully renewing and replacing a range of key assets network wide, this essential programme of renewals needs to continue across the next decade in order to stabilise the backlog that had developed pre 2010, when Metro was subject to annual funding settlements, meaning that the condition of the Metro Infrastructure had steadily declined. Years 2 and 3 (2021/22 and 2022/23) of this three-year programme therefore represents the planned investment to continue network renewals.
- 2.25 Across the next decade, the investment need is in the order of £385m. Around 55% of this is required through to 2026, with 45% required after 2026 (in real terms, investment reduces towards the end of the next decade as the backlog is eradicated). The higher amount of investment in the first half of the next decade is also a function of investment delivered in this decade being less than initially sought in 2010. Capital grant from DfT was initially agreed at £350m, some £107m less than the estimate contained in Nexus' reference case submission and this was reduced by a further £33m to £317m at the 2015 Spending Review.
- 2.26 It is likely that Nexus will still be required to fund 10% of the overall investment in the MARP, which will amount to £38m between 2021 and 2031. As with investment since 2010, Nexus will need to secure this from a combination of the LTP Integrated Transport Block and internal resources.
- 2.27 The programme includes Tanner's Bank bridge replacement, which is subject to a £3m funding bid to the Highways Maintenance Challenge Fund. If successful the Metro Rail Grant (DfT) funding requirement will reduce to £0.3m.
- 2.28 The indicative MARP programme for 2021/22 and 2022/23 is shown in Appendix 2. It includes another significant amount of track replacement and refurbishment as well as the continuation of overhead line renewal. Investment will continue in other key assets such as power supply systems, bridges and structures, signalling and the current fleet of Metrocars.



## Leadership Board

### Metrocar Replacement Programme

- 2.29 In October 2017, the Chancellor announced £336.8m of grant funding for the replacement of Nexus' fleet of Metrocars. This is to be augmented with a £25.0m local contribution.
- 2.30 The funding profile has not yet been confirmed, but the intention is that it will follow the key milestone payments to the preferred supplier of the new fleet, in line with the agreed programme for the Manufacture and Supply Agreement (MSA) and Depot Construction Contract (DCC). In addition, there is other investment relating to the Howdon satellite depot as well as ancillary costs required in order to get the new fleet into operational service. These are detailed below:

*Table 5: Metro Fleet Replacement Programme 2020/21 – 2022/23*

Project	Indicative Programme 2020/21 £m	Indicative Programme 2021/22 £m	Indicative Programme 2022/23 £m	Total £m
MSA	21.850	20.700	48.299	90.849
DCC	19.089	16.968	19.796	55.853
Howdon	2.514	0.000	0.000	2.514
Ancillary Costs	2.633	6.312	10.550	19.495
<b>Total</b>	<b>46.086</b>	<b>43.980</b>	<b>78.645</b>	<b>168.711</b>

- 2.31 The following is planned over the next 36 months:
- MSA payments in relation to detailed design, completion of the first unit, pre-delivery acceptance together with the roll out of the new fleet;
  - DCC payments in relation to track formation and piling, construction of the new facility, demolition of the old sheds, overhead line replacement, installation of new track and a new carriage wash;
  - Construction of the Howdon depot facility; and
  - Project management and a range of activities required in order to get the new fleet into operational service e.g. testing and commissioning.

### Digital Asset Renewal Plan (DARP)

- 2.32 Nexus' digital asset base includes its entire ICT network infrastructure together with the various customer facing and business applications necessary to run Metro and the other services Nexus provides. The DARP updates and replaces key assets in

## Leadership Board

accordance with criticality, business transformation, asset life and vendor support. Digital renewals have been grouped into three categories, namely:

- Business/Back office applications;
- Customer Facing applications and assets; and
- Network Infrastructure, i.e. the platform for business and customer facing applications and assets.

- 2.33 The DARP for 2020/21 to 2022/23 is included at Appendix 3. Since a significant amount of the programme relates to Metro, the financing of this digital investment in 2021/22 and 2022/23 will be reviewed once DfT have given approval to a new funding agreement. Therefore, at this stage years 2 and 3 of the DARP should be considered indicative. Year 1 of the DARP, estimated to cost £1.444m is summarised in the table below:

*Table 6: Nexus Digital Asset Renewal Programme 2020/21*

Asset Category	2020/21 £m
Business Applications	0.661
Network IT Infrastructure/Hardware	0.443
Customer Facing Applications	0.140
Programme Management	0.200
<b>Total</b>	<b>1.444</b>

- 2.34 During 2020/21 key projects will be centred upon ensuring readiness for the new fleet. This includes:
- Performance Software (£0.100m); used to measure the performance of the Metrocar fleet and allocate lost time appropriately
  - Digital Connectivity (£0.110m); ensuring adequate “track to train” wireless connectivity to allow, for example, on-board WiFi
  - Timetable and Rostering (£0.250m); to enable efficient rostering of drivers whilst old and new Metrocars are running in parallel.

### **Metro Enhancements (Transforming Cities)**

- 2.35 As part of the Transforming Cities Fund tranche 2 bid discussed at section 2.9-2.11, Nexus have submitted four projects for consideration. The funding decision is expected in April 2020. These projects are not included in the summary capital programme tables at section 2.3, which will be updated and presented to the JTC following a funding decision.



## Leadership Board

*Table 7: Metro Enhancements Indicative Programme 2020/21-2022/23*

Project	Indicative Programme 2020/21 £m	Indicative Programme 2021/22 £m	Indicative Programme 2022/23 £m	Total £m
Metro Flow	2.658	9.203	107.702	119.563
Digital Car Parks	0.230	0.601	2.513	3.344
Callerton Car Park	0.170	1.018	0.957	2.145
Follingsby Car Park	0.647	0.643	5.570	6.860
<b>Total</b>	<b>3.705</b>	<b>11.465</b>	<b>116.742</b>	<b>131.912</b>

- 2.36 The table above illustrates the total cost estimate with all four projects expected to be largely delivered by March 2023.
- 2.37 The most significant of which, 'Metro Flow' will deliver more capacity, better frequency and more resilience to the existing network via the implementation of dual tracking in South Tyneside and the procurement of four additional trains. It is envisaged that this project will increase patronage, reduce emissions and improve journey times.
- 2.38 The other three projects will deliver enhancements to the regions 'park and ride' capacity and accessibility.

### The Cross Tyne Ferries

- 2.39 On 21 November 2019, the Tyne and Wear Sub-Committee gave approval to Nexus' Ferry Strategy, the objectives of which will require significant capital investment, in particular:
- Rebuilding the North Shields jetty at the current location or at the Fish Quay, depending on the outcome of a feasibility study; and
  - Exploring options to upgrade or replace vessels, including zero emission technology.
- 2.40 Before this investment can be committed to, funding will need to be sought. During the remainder of the current financial year, the feasibility of relocating the North landing will be explored.
- 2.41 In the interim, repairs will be required to the vessels, the current North Landing and at the South Landing. The table below illustrates the planned investment over the period of this three-year programme, for which funding has been secured:

## Leadership Board

Table 8: Ferry Capital Programme 2020/21-2022/23

Project	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Repairs to North Landing	0.100	0.100	0.100	0.300
Repairs to South Landing	0.233	0.168	0.319	0.720
Ferry Vessels	0.172	0.090	0.000	0.262
<b>Total</b>	<b>0.505</b>	<b>0.358</b>	<b>0.419</b>	<b>1.282</b>

### Capital Funding for Nexus Programme

- 2.42 Funding for the proposed Nexus capital programme for 2020/21 to 2022/23 is not fully secured at this stage, with the bulk of years 2 and 3 dependent on bids to DfT, whether for Metro Rail Grant or Transforming Cities funding. The programme is summarised at asset category level in the following table, which will be updated to include Metro Enhancements should a positive announcement on the Tranche 2 bid be received:

Table 9: Nexus Capital Funding

Asset Category	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Metro ARP				
- Civils	0.674	2.625	4.946	8.245
- Permanent Way	5.017	9.325	9.925	24.267
- Overhead Line	3.708	3.804	3.400	10.912
- Stations	1.729	0.500	2.400	4.629
- Signalling	2.424	4.040	2.940	9.404
- Metro Cars (Old)	3.410	3.223	3.223	9.856
- Programme Management and Risk Contingency	2.241	9.405	10.282	21.928
- Comms, Plant, Power, Mechanical & Electrical etc.	3.019	8.704	5.644	17.367

## Leadership Board

Fleet Replacement Programme				
- MSA	21.850	20.700	48.299	90.849
- DCC	19.089	16.968	19.796	55.853
- Howdon Depot	2.514	0.000	0.000	2.514
- Ancillary Costs	2.633	6.312	10.550	19.495
Digital Asset Replacement Programme	1.444	0.858	0.600	2.902
Cross Tyne Ferries	0.505	0.358	0.419	1.282
<b>Total Capital Programme</b>	<b>70.257</b>	<b>86.822</b>	<b>122.424</b>	<b>279.503</b>

2.43

<b>Funding</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total £m</b>
Metro Rail Grant (DfT)*	20.000	37.475	37.361	94.836
Highways Maintenance Challenge Fund***	0.000	0.000	1.248	1.248
New Fleet Grant (DfT)****	29.800	43.980	78.645	152.425
LTP Grant**	2.299	2.717	2.717	7.733
Local Funding	18.158	2.650	2.453	23.261
<b>Total Funding</b>	<b>70.257</b>	<b>86.822</b>	<b>122.424</b>	<b>279.503</b>

\* Grant funding to be confirmed by DfT (apart from MARP, 2020/21)

\*\* Funding to be determined locally but will be subject to DfT grant funding approvals for 2021/22 and 2022/23

\*\*\* Funding subject to grant funding approvals and expression of interest submissions

\*\*\*\*Funding subject to Ministerial and Treasury approval in January 2020

2.44

In addition to the capital programme set out above, Nexus will potentially be required to contribute to the delivery of regional projects funded by the Transforming Cities Fund. The resourcing requirements will be revisited should this transpire.

## Leadership Board

### Tyne Tunnels

- 2.45 The major maintenance liability for the Tyne Pedestrian and Cyclist Tunnels (TPCT) was retained by the NECA (formerly the Tyne and Wear Integrated Transport Authority) in the Project Agreement entered into with TT2. The TPCT has been undergoing major refurbishment works, which are now substantially complete, and the tunnels were reopened to the public on the 7 August 2019. The remaining work on the Tyne Pedestrian and Cycle Tunnels refurbishment is the completion of the inclined lifts. At the last Committee meeting it was reported that the specialist lift contractor was due to present the lifts for acceptance and certification before Christmas. A joint inspection was held at the end of November, with the Chief Executive of the lift contractor in attendance. Unfortunately, the extent of the 'snagging' list was such that the lifts could not be accepted. Although some of the issues have now been addressed the work is not yet complete and the lifts will again be put forward for acceptance and certification. Once they have been accepted and completed their certification for use, they will be brought into service. The tunnels remain open to the public between 06:00 to 20:00, with TT2 providing the night shuttle between 20:00 to 06:00. The facility is being well used by both pedestrians and cyclists.
- 2.46 The delays in completion of the works to the TPCT have led to increased costs in year, including works, professional fees, staffing and costs of site accommodation and security. The costs of the project will be met from the Tyne Tunnels earmarked reserves held for this purpose and the updated forecast position on the Tyne Tunnels reserves has been included with the revenue budget report.

### Local Transport Plan

- 2.47 Local Transport Plan (LTP) Integrated Transport Block funding is made available by the DfT to the whole JTC area. This block is allocated between the JTC constituent authorities on a locally agreed basis with an allocation to Nexus (mainly used to provide the match funding needed for the Metro ARP capital programme). The LTP block allocation is also used to contribute to the costs of the Regional Transport Team, which supports the delivery of the Local Transport Plan. Quarter 1 to 3 payments have been made to constituent authorities which total £7.436m and the forecast for the year is for the full grant available of £13.949m to be utilised.
- 2.48 For 2020/21 it is proposed that the apportionment of the grant between constituent authorities be maintained on the same basis as 2019/20, as set out in the table below.

*Table 10: Allocation of LTP Integrated Transport Block grant*

	Allocation	Contribution to UTMC	Contribution to TSU	Net Allocation

## Leadership Board

	£m	£m	£m	£m
Durham	2.789	-	(0.0625)	2.727
Gateshead	1.328	(0.067)	(0.0625)	1.199
Newcastle	1.650	(0.098)	(0.0625)	1.489
North Tyneside	1.088	(0.068)	(0.0625)	0.958
Northumberland	1.695	-	(0.0625)	1.633
South Tyneside	0.843	(0.050)	(0.0625)	0.730
Sunderland	1.606	(0.093)	(0.0625)	1.450
MARP Local Contribution / Public Transport Schemes	2.950	-	(0.0625)	2.887
<b>Total</b>	<b>13.949</b>	<b>(0.376)</b>	<b>(0.500)</b>	<b>13.073</b>

### Capital Programme Financing

2.49 Forecast capital expenditure for 2019/20 and 2020/21 will be financed as follows:

*Table 11: Capital Programme Financing summary*

	2019/20 Revised Budget £m	2019/20 Updated Forecast £m	2019/20 Variance £m	2020/21 £m
Government Grants	79.858	79.858	0.000	66.947
Borrowing	0.000	0.000	0.000	0.000
Earmarked Reserves	12.970	13.982	1.012	18.641
<b>Total Funding</b>	<b>92.828</b>	<b>93.840</b>	<b>1.012</b>	<b>81.883</b>

### 3. Reasons for the Proposals

## Leadership Board

- 3.1 The proposals are presented in this report to enable the Joint Transport Committee to agree its capital programme for 2020/21.

### 4. Alternative Options Available

- 4.1 Option 1 – The North East Joint Transport Committee may accept the recommendations set out in this report.

Option 2 – The North East Joint Transport Committee may not accept the recommendations set out in this report.

Option 1 is the recommended option.

### 5. Next Steps and Timetable for Implementation

- 5.1 Progress against the JTC Capital Programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies. As and when updated information with regard to funding bids is received, the capital programme will be updated and presented to the JTC for confirmation.

### 6. Potential Impact on Objectives

- 6.1 Successful delivery of the various transport schemes and investment proposals outlined in this report will assist the JTC in meeting its objective to maximise the region's opportunities and potential.

### 7. Financial and Other Resources Implications

- 7.1 The financial and other resources implications are set out in the main body of the report.

### 8. Legal Implications

- 8.1 The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that the setting of the capital programme in relation to transport is a function exercisable only by the Joint Transport Committee. Unanimous approval is required.

### 9. Key Risks

- 9.1 Risks associated with the delivery of transport schemes by the key delivery bodies are factored into the risk management processes of those organisations.

### 10. Equality and Diversity

## Leadership Board

- 10.1 There are no equality and diversity implications arising from this report.
- 11. Crime and Disorder**
- 11.1 There are no crime and disorder implications arising from this report.
- 12. Consultation/Engagement**
- 12.1 Projects being delivered by constituent authorities or in constituent authority areas are subject to local consultation and planning approvals.
- 13. Other Impact of the Proposals**
- 13.1 There are no other impacts arising from this report.
- 14. Appendices**
- 14.1 None
- 15. Background Papers**
- 15.1 JTC report 22 January 2019 – Transport Capital Programme 2019/20  
<https://northeastca.gov.uk/wp-content/uploads/2019/01/North-East-Joint-Transport-Committee-22-January-2019-Agenda-Pack.pdf>
- 16. Contact Officers**
- 16.1 Eleanor Goodman, NECA Finance Manager, [eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 0191 277 7518
- 17. Sign off**
- The Proper Officer for Transport:
  - Head of Paid Service:
  - Monitoring Officer:
  - Chief Finance Officer:
- 18. Glossary**
- DfT – Department for Transport  
DARP – Digital Asset Renewal Programme  
JTC – Joint Transport Committee

## Leadership Board

LTP – Local Transport Plan

MARP – Metro Asset Renewal Programme

TCF – Transforming Cities Fund

TPCT – Tyne Pedestrian and Cycle Tunnel

TSU – Transport Strategy Unit

UTMC – Urban Traffic Management and Control



## Leadership Board

### Appendix 1 – Metro Asset Renewal Programme 2020/21

	2020/21 £m
<b>Civils</b>	
Crossgate Viaduct	0.003
Sunderland and Leamside Bridges	0.400
1142 Burnside Road Underbridge, 1148 Beach Road Underbridge	0.003
1156 Tanners Bank Underbridge	0.164
Asbestos revisited works- Central area tunnels	0.103
<b>Total Civils</b>	<b>0.674</b>
<b>Permanent Way</b>	
Package D (Gateshead Stadium to South Shields - Renewals)	0.008
Package D (Heworth to South Shields - Renewals completion)	5.009
<b>Total Permanent Way</b>	<b>5.017</b>
<b>Overhead Line</b>	
OLE - System Development	3.708
<b>Total Overhead Line</b>	<b>3.708</b>
<b>Stations</b>	
Interchange station package SSS	0.059
Byker	0.050
Platform Interchange Compliance	1.620
<b>Total Stations</b>	<b>1.729</b>
<b>Communications</b>	
Radio	0.354
CCTV / PA Access	0.400
<b>Total Communications</b>	<b>0.754</b>
<b>Signalling</b>	
Signalling - RTMS	0.121
Relay replacements	0.300
Reed track circuits	1.228
Location case rewire	0.284
Cable degradation	0.077

## Leadership Board

	2020/21 £m
Cable replacement	0.200
Signalling- Replacement point motors (critical locations)	0.214
<b>Total Signalling</b>	<b>2.424</b>
<b>Plant</b>	
Diesel Shunters Battery Locos (likely to be RRVs)	1.412
<b>Total Plant</b>	<b>1.412</b>
<b>Power</b>	
Network Stray Currents	0.014
<b>Total Power</b>	<b>0.014</b>
<b>Capital Maintenance</b>	
Vehicle Replacement Programme	0.140
Off track enhancements	0.058
Lifts Refurbishment/Major Items	0.040
Track Capital Maintenance	0.352
OHL Capital Maintenance	0.027
Fleet Investment	3.410
Stations Refurb - Esc Imps/Major Items	0.020
<b>Total Capital Maintenance</b>	<b>4.047</b>
<b>PM Costs</b>	
PM Costs	1.700
<b>Total PM Costs</b>	<b>1.700</b>
Risk Allowance	0.213
<b>Total Including Risk Allowances</b>	<b>21.691</b>
<b>Other Projects</b>	
Nexus Learning Centre	0.532
<b>Total Other Projects</b>	<b>0.532</b>
<b>Total ARP Programme Funding (including Major Projects)</b>	<b>22.222</b>
<b>Funding</b>	

## Leadership Board

	2020/21 £m
DfT Grant	20.000
10% Nexus Contribution	2.222
<b>Total ARP Funding</b>	<b>22.222</b>

## Appendix 2 – Metro Asset Renewal Programme 2021/22 to 2022/23

	2021/22 (DfT Bid) £m	2022/23 (DfT Bid) £m	Total £m
<b>Civils</b>			
Bridges - Benton (1114 1115B) (subway demolition)	0.275	-	0.275
Bridges - condition and assessment led repairs/painting	0.500	0.300	0.800
Stoddart Street bridges - repair/waterproofing	-	0.400	0.400
1156 Tanners Bank Underbridge	0.200	1.248	1.448
Additional project (Highways Maintenance Challenge Fund)		1.248	1.248
Cullercoats Footbridge	0.400	-	0.400
Structural Assessments - overbridges	0.050	0.050	0.100
Tunnels - repairs and asbestos maintenance	-	0.500	0.500
Multi Storey Car Parks refurbishment	1.000	1.000	2.000
Surface Car Parks Refurbishment	0.200	0.200	0.400
<b>Total Civils</b>	<b>2.625</b>	<b>4.946</b>	<b>7.571</b>
<b>Permanent Way</b>			
Package A (BC971,974,976,979A) TYN-NPK	-	0.250	0.250
Gateshead Stadium to South Shields - Plain Line Refurbishment	5.900	-	5.900
Plain Line Refurbishment South Gosforth to Airport	-	6.000	6.000
Switches & Crossings - Christon Road 1020A/B pts & 1021pts	1.500	-	1.500
Switches & Crossings - Pelaw Chords 7016/17 pts	0.500	-	0.500
Switches & Crossings - Prudhoe Street 6007A/B pts	0.500	-	0.500
Switches & Crossings - Chillingham Road 3014A/B pts	0.050	1.100	1.150

## Leadership Board

	2021/22 (DfT Bid) £m	2022/23 (DfT Bid) £m	Total £m
Switches & Crossings - Monkseaton 2036A/B pt, 2034A, 2032 A/B pt	0.800	2.500	3.300
Points Heater Controls Replacement	0.075	0.075	0.150
<b>Total Permanent Way</b>	<b>9.325</b>	<b>9.925</b>	<b>19.250</b>
<b>Overhead Line</b>			
OLE - System Development	3.804	3.400	7.204
<b>Total Overhead Line</b>	<b>3.804</b>	<b>3.400</b>	<b>7.204</b>
<b>Stations</b>			
Whitley Bay	0.500	1.550	2.050
Monkseaton	-	0.300	0.300
Byker	-	0.450	0.450
Halt Stations JES-SGF	-	0.100	0.100
<b>Total Stations</b>	<b>0.500</b>	<b>2.400</b>	<b>2.900</b>
<b>Signalling</b>			
Relay replacements	0.100	0.100	0.200
Relay Rooms cooling and lighting at SGF	0.030	0.080	0.110
Reed track circuits	0.250	0.250	0.500
Reed track impedance bonds (replace oil filled)	0.090	0.090	0.180
Subsidiary signals	0.050	0.300	0.350
Location case rewire	0.300	0.300	0.600
Cable degradation	1.000	1.000	2.000
Toughing	0.100	0.100	0.200
Cable replacement	0.500	0.500	1.000
Treadle replacement	0.040	0.040	0.080
Scada	-	0.050	0.050
Customer Information System (PID's)	-	0.050	0.050
Trainstop Replacement (Trackside)	0.080	0.080	0.160
LED Signal Replacement	1.500	-	1.500
<b>Total Signalling</b>	<b>4.040</b>	<b>2.940</b>	<b>6.980</b>
<b>Level Crossings</b>			
LC- Minor enhancements	0.010	0.010	0.020

## Leadership Board

	2021/22 (DfT Bid) £m	2022/23 (DfT Bid) £m	Total £m
<b>Total Level Crossings</b>	<b>0.010</b>	<b>0.010</b>	<b>0.020</b>
<b>Mechanical and Electrical</b>			
Escalators - Haymarket 1&3 1/2 Life Refurbishment	-	0.250	0.250
Escalator - Haymarket 2 1/2 Life Refurbishment	0.125	-	0.125
Escalator - Sunderland 1 1/2 Life Refurbishment	0.125	-	0.125
Lift - Central (No.1) 1/2 Life Refurbishment	0.050	-	0.050
Lift Monument (No.1) 1/2 Life Refurbishment	0.050	-	0.050
Lift Monument (No.3) Replacement	0.180	-	0.180
Lift Gateshead (No.1) 1/2 Life Refurbishment	0.050	-	0.050
Lift Chichester (No.1-2) 1/2 Life Refurbishment	0.100	-	0.100
Lift Haymarket (No.1) 1/2 Life Refurbishment	-	0.050	0.050
Escalator handrail & lift re-roping	0.075	0.075	0.150
Linear Heat Detection replacement	0.400	-	0.400
Gas suppression	0.007	-	0.007
Lighting inverters	0.500	-	0.500
Interposing relay UPS	0.250	-	0.250
Fire extinguishers	0.022	-	0.022
Station lighting and small power	0.050	0.050	0.100
Dry risers	-	0.100	0.100
Air compressors	0.010	-	0.010
Tunnel Lighting	1.000	-	1.000
<b>Total Mechanical and Electrical</b>	<b>2.994</b>	<b>0.525</b>	<b>3.519</b>
<b>Power</b>			
DC Switch Boxes	0.333	0.333	0.666
Targeted HV Cabling Replacement	-	0.210	0.210
HV/DC troughing fettling	-	1.000	1.000
Traction power mimic replacement	1.000	-	1.000
<b>Total Power</b>	<b>1.333</b>	<b>1.543</b>	<b>2.876</b>
<b>Capital Maintenance</b>			
Rail Grinding	0.100	0.100	0.200
Security Fencing	-	-	0.000
Vehicle Replacement Programme	0.140	0.140	0.280

## Leadership Board

	2021/22 (DfT Bid) £m	2022/23 (DfT Bid) £m	Total £m
Infrastructure Vehicle Maintenance (RRV's, wagons etc.)	0.175	0.175	0.350
Off track enhancements	0.200	0.200	0.400
Track Capital Maintenance	0.400	0.400	0.800
Fleet Investment	3.223	3.223	6.446
<b>Total Capital Maintenance</b>	<b>4.238</b>	<b>4.238</b>	<b>8.476</b>
<b>Miscellaneous</b>			
Replace/refresh Drawing Management System	0.065	-	0.065
Network Refresh	0.900	-	0.900
Remote condition monitoring	-	0.200	0.200
Fare Collection Systems	1.000	1.000	2.000
Upgrade TVMs, gates/barriers, validators, TOMs	-	0.200	0.200
Metro Service	0.500	0.500	1.000
Bus costs	0.600	0.600	1.200
Dayworks	0.050	0.050	0.100
Control Centre improvements	0.250	-	0.250
<b>Total Miscellaneous</b>	<b>3.365</b>	<b>2.550</b>	<b>5.915</b>
<b>PM Costs</b>			
Network Expansion Development	1.000	2.000	3.000
PM Costs	2.530	2.530	5.060
<b>Total PM Costs</b>	<b>3.530</b>	<b>4.530</b>	<b>8.060</b>
Inflation Risk Allowance	1.204	1.240	2.444
Risk Allowance	4.671	4.513	9.184
<b>Total Including Risk Allowances</b>	<b>41.639</b>	<b>53.560</b>	<b>95.199</b>
<b>Total ARP Programme Funding (including Major Projects)</b>	<b>41.639</b>	<b>42.760</b>	<b>84.399</b>
<b>Funding</b>			
DfT Grant	37.475	37.361	74.836
Highways Maintenance Challenge Fund	0.000	1.248	1.248
10% Nexus Contribution			
LTP	2.640	2.640	5.280

## Leadership Board

	2021/22 (DfT Bid) £m	2022/23 (DfT Bid) £m	Total £m
Reserves/Other	1.524	1.511	3.035
<b>Total ARP Funding</b>	<b>41.639</b>	<b>42.760</b>	<b>84.399</b>

## Leadership Board

### Appendix 3 – Digital Asset Renewal Programme 2020/21 to 2022/23

	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
<b>Business Application</b>				
ArcGis Desktop	-	-	0.025	0.025
Bus Contracts System	0.130	-	-	0.130
Finance System	0.161	0.053	-	0.214
Performance Software	0.101	-	-	0.101
Ferry ETMs	0.020	-	-	0.020
CRM Portal	-	0.020	-	0.020
Document Management System	-	0.150	-	0.150
HR/Payroll System	-	0.100	-	0.100
Live Travel Map	-	0.035	-	0.035
Organice	-	0.050	-	0.050
Time Recording	-	0.025	-	0.025
Timetable Rostering	0.250	-	-	0.250
<b>Total Business Applications</b>	<b>0.662</b>	<b>0.433</b>	<b>0.025</b>	<b>1.120</b>
<b>Customer Facing Applications</b>				
Digital Connectivity	0.110	-	-	0.110
TMS 'Novus FX'	-	0.050	-	0.050
Cycle Lockers	0.020	-	-	0.020
QR Code redirect site for bus stop departures	0.010	-	-	0.010
RTI Replacement (Bus)	-	0.175	-	0.175
<b>Total Customer Facing Applications</b>	<b>0.140</b>	<b>0.225</b>	<b>-</b>	<b>0.365</b>
<b>Network IT Infrastructure/Hardware</b>				
Microsoft SQL Server	0.016	-	0.050	0.066
Microsoft Sharepoint	-	-	0.100	0.100
Microsoft CRM	-	-	0.060	0.060
Video Conferencing Facilities	0.038	-	-	0.038
Backup & Recovery Solution	0.300	-	-	0.300
DMZ Virtual Infrastructure	0.085	-	-	0.085
Microsoft Team Foundation Server	0.003	-	-	0.003
Paloalto (Firewall)	-	-	0.165	0.165
<b>Total Network IT Infrastructure/Hardware</b>	<b>0.442</b>	<b>-</b>	<b>0.375</b>	<b>0.817</b>
<b>Total PM Costs</b>	<b>0.200</b>	<b>0.200</b>	<b>0.200</b>	<b>0.600</b>



## Leadership Board

<b>Total DARP Programme</b>	<b>1.444</b>	<b>0.858</b>	<b>0.600</b>	<b>2.902</b>

<b>Funding</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
LTP	-	-	0.077	0.077
Reserves	1.444	0.858	0.523	2.825
<b>Total ARP Funding</b>	<b>1.444</b>	<b>0.858</b>	<b>0.600</b>	<b>2.902</b>

## Leadership Board

### Appendix 2 – Enterprise Zones Capital Investment

<b><u>ROUND 1 EZ SCHEMES</u></b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Lifetime Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
North Bank					1,648,000
Shepherds					4,675,242
Further Works Round1 and 2			2,951,000	11,049,000	14,062,432
Swans					3,780,445
Port of Tyne (RQ) - revised	250,000	3,500,000	3,500,000	800,000	8,050,000
Commissioners Quay					1,274,972
Bates	550,000	2,300,000			2,850,000
East Sleekburn (Northumberland Energy Park)	15,000,000				614,080
A19 Sunderland	480,212	916,929			11,804,807
<b>ROUND 1 TOTAL</b>	<b>16,280,212</b>	<b>6,716,929</b>	<b>6,451,000</b>	<b>11,849,000</b>	<b>72,624,422</b>

## Leadership Board

<b><u>ROUND 2 EZ SCHEMES</u></b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Lifetime Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Newcastle International Airport	1,368,928	80,000		15,437,979	15,599,250
Ramparts Business Park				1,620,000	1,620,000
Fairmoor, Morpeth				2,080,000	2,080,000
Ashwood Business Park	1,619,313	652,137	304,976		2,576,426
Jade Business Park	554,497	3,000,000	95,987	615,237	4,439,549
Follingsby Park	375,994				11,942,929
Holborn Riverside Phase 1 - revised	0		9,400,000		9,400,000
Holborn Riverside Phase 2	250,000	1,600,000	0		1,850,000
IAMP	0	10,759,208	12,586,742	10,407,993	33,753,943
Port of Sunderland	1,901,270	5,918,099			8,201,703
<b>ROUND 2 TOTAL</b>	<b>6,070,002</b>	<b>22,009,444</b>	<b>22,387,705</b>	<b>30,161,209</b>	<b>92,791,550</b>

## Leadership Board

OVERALL TOTAL	22,350,214	28,726,373	28,838,705	42,010,209	165,415,972
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## Leadership Board

### Appendix 3 – North East Combined Authority Treasury Management Strategy 2020/21

#### Purpose

- 1 In accordance with statutory guidance and the Authority's Financial Procedure rules, this report presents the 2020/21 position for the proposed Treasury Management Strategy, the Annual Cash Investment Strategy, Prudential Indicators, Minimum Revenue Provision (MRP) Policy and Treasury Management Policy Statement and Practices (which are detailed at Annex 1).

#### Background

- 2 Treasury management is defined as 'the management of the local authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'.
- 3 The Authority operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with the main aims of providing sufficient liquidity and security, with the achievement of the best possible investment returns ranking as less important.
- 4 The second main function of the treasury management service is to arrange the funding of the Authority's capital programme, which will support the provision of NECA services. The capital programme provides a guide to the borrowing need of the Authority, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet NECA risk or cost objectives.
- 5 The Authority adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Authority's capital expenditure plans and its Prudential Indicators (PIs). This requires that Members agree the following reports, as a minimum:
  - a) An annual Treasury Management Strategy in advance of the year (this report);
  - b) A mid-year Treasury Management Review report (results incorporated into this report);

## Leadership Board

- c) An annual review following the end of the year describing the activity compared to the strategy (the 2018/19 outturn was reported to the Leadership Board 4 June 2019 and the detailed accounts on 23 July 2019);

- 6 This report provides a summary of the following for 2020/21:
  - a) Summary Treasury Position including Mid-Year Update;
  - b) Borrowing Strategy;
  - c) Other Debt and Long Term Liability Plans;
  - d) Cash Investment Strategy;
  - e) Non-Treasury Investments;
  - f) Treasury Management Indicators;
  - g) Prudential Indicators;
  - h) MRP Policy Statement;
  - i) Other Matters.
- 7 This covers the requirements of the various laws, codes and guidance that cover the Treasury Management activity, including the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and Communities and Local Government Investment Guidance.

### **a) Summary Treasury Position including Mid-Year Update**

- 8 The vast majority of NECA's borrowing relates to historic Tyne and Wear Transport activities, and the financing of the borrowing debt is met from the Tyne and Wear levy and the Tyne Tunnels budgets and is included within the revenue budgets for these areas. Treasury Management arrangements are managed by NECA as the accountable body for the North East Joint Transport Committee (JTC) and approved by the two Combined Authorities.
- 9 The Authority's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities.
- 10 External interest rates payable in the first nine months of 2019/20 were at the level assumed in the 2019/20 Treasury Management strategy, with a weighted average rate of 4.24%. The majority of borrowing relates to transport activity in Tyne and Wear inherited from the former Tyne and Wear Integrated Transport Authority and the costs of this borrowing are charged to the Tyne and Wear Transport levy budget, the Tyne Tunnels budget and the Nexus budget as appropriate. £5.000m borrowing was taken out in September 2019 which will fund Enterprise Zones (EZ) works and will be charged against the EZ account.

## Leadership Board

- 11 The table below shows the movement between the opening and closing level of external loans during 2019/20. External loans were £171.667m at 31 December 2019 which is well within the authorised borrowing limit of £210.000m.

	Actual	Authorised Limit
	£m	£m
<b>Level of external loan principal at 1 April 2019</b>	<b>167.000</b>	<b>210.000</b>
New loans taken out during 2019/20	5.000	-
Scheduled repayments during 2019/20	(0.333)	-
Early repayment of borrowing during 2019/20	-	-
<b>Level of external loan principal at 31 December 2019</b>	<b>171.667</b>	<b>210.000</b>

- 12 The Authority strives to minimise the interest rate risk it faces and maintain stability by seeking to maintain an appropriate debt maturity profile which is shown in the table below.

Loan principal repayable:	01/04/2019 (actual) £m	31/12/2019 (actual) £m	31/03/2020 (estimate) £m
In less than one year	0.667	0.667	0.667
Between one and two years	0.667	0.667	0.667
Between two and five years	2.000	2.000	2.000
Between five and ten years	1.667	1.333	1.000
In more than ten years	162.000	167.000	167.000
<b>Total</b>	<b>167.000</b>	<b>171.667</b>	<b>171.333</b>

- 13 As the table demonstrates, the profile is weighted heavily towards long-term borrowing. This is because most of the borrowing relates to the New Tyne Crossing project, where long-term borrowing was preferable to provide certainty of payments to enable accurate financial modelling over the period of the operating concession. As short-term loans have matured, they have not been replaced.
- 14 At 31 December 2019 the Authority had £67m externally invested in short term deposits plus short term current bank account balances not exceeding £15m.
- 15 For 2019/20 the rate of external interest receivable ranges from 0.6% on short term balances to 1.1% on external investments held for up to 12 months. Investment of cash balances are placed for up to 12 months where possible in

## Leadership Board

order to help secure an increased average rate of return, with increased interest income used to help fund the costs of the Authority.

### b) Borrowing Strategy

- 16 NECA held £167.000m of loans at 31 March 2019. The balance had increased to £171.667m at 31 December 2019 and is expected to be £171.333m at 31 March 2020, as detailed below:

	31 March 2019	2019/20	31 March 2020	Average	31 March 2020
	Actual Balance	Estimated Movement	Estimated Balance	Interest Rate	Average Life
	£m	£m	£m	%	years
Public Works Loan Board (PWLB)	78.000	4.333	82.333	4.08	30
Private Sector	89.000	0	89.000	4.39	47
<b>Total borrowing</b>	<b>167.000</b>	<b>4.333</b>	<b>171.333</b>	<b>4.24</b>	<b>39</b>

- 17 The Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 18 The difference between the Authority's borrowing requirement and the actual borrowing undertaken is called underborrowing. This represents the ability of the Authority to use its balance sheet reserves to delay the date that loans are taken out. The strength of the Authority's balance sheet means it has no immediate need to borrow to fund its capital outlays and this means that using internal balances is the generally most cost-effective option. However in the medium term the Authority may need to borrow to fund its capital programme.
- 19 Earlier in the financial year, long term PWLB interest rates were at historically low levels, the Authority borrowed £5m, which will be required to meet capital expenditure which will be incurred on Enterprise Zones this year, and which it has temporarily invested. The Authority is incurring a "cost of carry" on this loan - the gap between the interest rates on borrowings and the interest rates achieved on investments – but this will be offset by the lower interest rate over the long term.



## Leadership Board

- 20 On 9 October the PWLB increased its rates by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms, with immediate effect. This made the rates it offers less attractive and the Authority has no plans to borrow from them in the short term. However PWLB rates will be monitored and if there are future rate reductions the Authority will consider taking out further loans.
- 21 Even after accounting for the £5m borrowing taken out in year, the Authority is underborrowed and has the scope to take out more loans. This would be necessary if reserves fell significantly so that internal funds were unavailable. In addition, as with the £5m borrowed in 2019/20 to date, if interest rates fall sufficiently low the Authority might also opt to borrow to meet its future borrowing requirements. The Authority will continue to work with treasury management advisers to monitor cash flow requirements and long term interest rates to determine whether taking out further loans is appropriate.

### Municipal Bond Agency

- 22 When the 1% increase in PWLB rates was announced the Municipal Bond Agency confirmed that it is still working to be in a position to offer loans to local authorities in the near future. The Agency hopes that the borrowing rates will be lower than those offered by the PWLB. The Authority may choose to make use of this new source of borrowing as and when appropriate, after a full options appraisal.

### Policy on Borrowing in Advance of Need

- 23 The Authority will not borrow more than, or in advance of, its needs, purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be made within approved Capital Financing Requirement (CFR) estimates and following careful consideration, in order to demonstrate value for money and ensure the security of such funds.
- 24 Any risks associated with activity to borrow in advance will be subject to prior appraisal and will be subsequently accounted for in the Treasury Management report that follows.

### Debt Rescheduling

- 25 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. Advantages of debt rescheduling would include:

## Leadership Board

- generating cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amend the maturity profile and / or the balance of volatility).

However, these savings will need to be considered in light of the current treasury position and the cost of debt repayments (i.e. premiums).

- 26 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

### **c) Other Debt and Long Term Liabilities Plans**

- 27 NECA does not currently have any capital finance liabilities in the form of finance leases.

### **d) Cash Investment Strategy**

- 28 The Authority holds a significant cash surplus from reserves in its balance sheet and from funds received before related expenditure is incurred. A strategy for the investment of these funds is required.
- 29 The Authority's cash investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) guidance. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security, liquidity and rate of return, or yield, of its investments. Of these three criteria the first two, security and liquidity, are most important, ahead of achieving the highest yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 30 In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Authority will apply minimum acceptable credit criteria in order to generate a list of creditworthy counterparties, with investment limits set so that investments are diversified. Credit ratings agencies will be used but will not be the sole determinant of investment quality and the assessments will also take account of other information that reflects the opinion of the markets. To this end the Authority will engage with its advisers to maintain a monitor on market pricing (e.g. "credit default swaps") and overlay that information on top of the credit ratings.

## Leadership Board

Information in the financial press, share price and other banking sector information will also be used as appropriate.

- 31 There are a wide range of Investment instruments which are available for the Authority to consider. These can be classified as either Specified or Non-Specified Investments and are listed below:

### Specified Investments

- 32 These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are considered to be low risk assets where the possibility of loss of principal or investment income is small and are not defined as capital expenditure. These would include the following sterling investments:

- Deposit with the UK Government – e.g. the Debt Management Office deposit facility, UK treasury bills or gilts with less than one year to maturity;
- Term deposits with a body that is considered of a high credit quality e.g. UK banks and building societies;
- Global bonds of less than one year's duration;
- Deposits with a local authority, parish council or community council;
- Certificates of Deposit;
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

### Non-Specified Investments

- 33 These are investments which do not meet the specified criteria as outlined above. The Authority is therefore required to examine non-specified investments in more detail. Non specified investments include the following sterling investments:

- gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity;
- deposits with the Authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible;
- loans and shares in local businesses, in order to encourage regeneration and economic development in the area. Any new investments will only be agreed after significant due diligence checks have been carried out;
- Any other funds.

## Leadership Board

### Creditworthiness Policy

- 34 The primary principle governing the Authority's investment criteria is the security of its investments; although the yield or return on the investment is also a key consideration. After this main principle, the Authority will ensure that:
- it maintains a policy covering the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security and arrangements for monitoring their security; and
  - it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.
- 35 The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit these to the Leadership Board for approval as necessary. This criteria provides an overall pool of counterparties considered to be high quality which the Authority may use, rather than defining what types of investment instruments are to be used.
- 36 From 1 April 2020, Treasury Management services to NECA will be provided by Durham County Council. Durham County Council have a contract with Link Asset Services as Treasury Management advisers. Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue weight to only one agency's ratings.
- 37 Typically the minimum credit ratings criteria used by the Authority will be a short term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available or other topical market information to support their use.
- 38 All credit ratings will be monitored regularly. The Authority is alerted to changes to ratings of all three agencies (Fitch, Moody's and Standard and Poor's) through its use of Link's creditworthiness service.
- 39 If a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- 40 In addition to the use of credit ratings, the Authority will be advised of information in movements in credit default swap spreads against the iTraxx

## Leadership Board

benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Authority's lending list.

- 41 Sole reliance will not be placed on the use of the service provided by Link. The Authority will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government. This additional market information, for example credit default swaps and negative rating watches/ outlooks, will be applied to compare the relative security of differing investment counterparties. The relative value of investments will be reviewed in relation to the counterparty size to ensure an appropriate ratio.

### Investment Criteria

- 42 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

Banks 1 – good credit quality. The Authority will only use banks which are:

- i. UK banks and/or
- ii. Non UK banks domiciled in a country which has a minimum sovereign long term rating of AA-

and have, as a minimum, the following credit ratings (where rated):

	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

(n.b. viability, financial strength and support ratings have been removed and will not be considered in choosing counterparties).

- Banks 2 – Part nationalised UK banks - Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or meets the ratings in Banks 1 above;
- Banks 3 – The Authority's own banker for transactional purposes if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and time;
- Bank subsidiary and treasury operation. The Authority will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above;

## Leadership Board

- UK Government (including gilts and the Debt Management Account Deposit Facility [DMADF]);
- Local authorities, parish councils etc.;
- Building societies. The Authority will use societies which:
  - Meet the ratings for banks outlined above; or
  - Have assets in excess of £1 billion;
- Money market funds;
- Ultra-Short Dated Bond Funds;
- Property Funds.

### Time and Monetary Limits applying to Investments

43 The time and monetary limits for institutions on the Authority's counterparty list, covering specified and non-specified investments, are as follows:

Investment Type	Long Term Rating	Money Limit	Time Limit
Banks / Building Societies*	AA-	£15m	1 year
Banks / Building Societies*	A	£15m	1 year
Banks / Building Societies*	A-	£10m	6 months
Banks – part-nationalised*	N/A	£15m	1 year
Banks– Council's banker*	A-	£15m	3 months
DMADF / Treasury Bills	AAA	unlimited	unlimited
Local Authorities	N/A	£10m each	3 years
Investment Type	Asset Size	Money Limit	Time Limit
Building Societies	+£1 billion	£5m	6 months
Investment Type	Fund Rating	Money Limit	Time Limit
Money Market Funds	AAA	£20m total	liquid
Money Market Funds CNAV	AAA	£5m each	liquid
Money Market Funds LVNAV	AAA	£5m each	liquid
Money Market Funds VNAV	AAA	£5m each	liquid



## Leadership Board

\*For bank subsidiaries and treasury operations the limits depend on the rating of the subsidiary / operation or of the parent providing a guarantee

### UK Banks – Ring Fencing

- 44 An additional factor must be taken into account when making investments with some UK banks from 1st January 2019. From this date the largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt to be included in the arrangements. Several banks are very close to the threshold already and so may come into scope in the future regardless.
- 45 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.
- 46 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Authority will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

### e) Non-Treasury Investments

- 47 Separately from treasury investments, the Authority may also purchase property for investment purposes and also make loans and investments in support of service priorities. Such loans and investments will be subject to the Authority’s normal approval processes for revenue and capital expenditure and need not comply with this Treasury Management Strategy.
- 48 Where an authority invests in other financial assets and property with the main aim of generating a financial return, the Prudential Code guidance is that the investments should be proportionate to the authority’s level of resources and the

## Leadership Board

same robust procedures for the consideration of risk and return should be followed as for other investments.

- 49 The Authority recognises that investments such as these, taken for non-treasury management purposes, require careful investment management and that it is important that there are agreed processes to ensure there is effective due diligence and that the investments fit with the Authority's agreed risk profile.

### f) Treasury Management Indicators

- 50 There are three debt related treasury activity limits which are designed to manage risk and reduce the impact of an adverse movement in interest rates.

- 51 Interest Rate Exposures – this indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal invested is:

	2019/20 Limit
Upper limit on fixed interest rate exposure	100%
Upper limit on variable interest rate exposure	70%

- 52 Maturity Structure of Borrowing – this indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are:

	Lower Limit	Upper Limit
Under 12 months	0%	20%
12 months to 2 years	0%	40%
2 years to 5 years	0%	60%
5 years to 10 years	0%	80%
10 years and above	0%	100%

- 53 Principal Sums Invested for Periods Longer than 365 days – the purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments:

	2019/20	2020/21	2021/22
Principal sums invested > 365 days	£75m	£75m	£75m



## Leadership Board

### g) Prudential Indicators

- 54 The Local Government Act 2003 requires the Authority to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
- 55 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.
- 56 Capital Expenditure – the table below summarises capital expenditure incurred and planned and how the expenditure was and will be financed:

	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
<b>Capital Programme</b>	<b>98.896</b>	<b>93.840</b>	<b>81.883</b>	<b>98.131</b>	<b>133.733</b>
<b>Financed by:</b>					
Capital grants	93.810	79.858	66.947	93.131	128.733
Revenue and reserves	0.965	13.982	18.641	5.000	5.000
<b>Net borrowing financing need for the year</b>	<b>4.121</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

- 57 Capital Financing Requirement (CFR) – the CFR is a measure of the Authority's underlying borrowing need for a capital purpose.

	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Financing Requirement	194.200	190.905	187.629	184.371	181.123
<b>Movement in CFR</b>	<b>0.535</b>	<b>(3.296)</b>	<b>(3.275)</b>	<b>(3.259)</b>	<b>(3.247)</b>
<b>Movement in CFR represented by</b>					
Net borrowing financing need for the year	4.121	0.000	0.000	0.000	0.000
Less MRP/VRP and other financing movements	(3.586)	(3.296)	(3.275)	(3.259)	(3.247)
<b>Movement in CFR</b>	<b>0.535</b>	<b>(3.296)</b>	<b>(3.275)</b>	<b>(3.259)</b>	<b>(3.247)</b>

## Leadership Board

- 58 Gross Debt and the Capital Financing Requirement – in order to ensure that debt will only be held for capital purposes, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below shows how the Authority plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR:

	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Debt at 1 April	167.667	167.000	171.333	170.667	170.000
Expected change in debt	(0.667)	4.333	(0.667)	(0.667)	(0.667)
<b>Gross Debt at 31 March</b>	<b>167.000</b>	<b>171.333</b>	<b>170.667</b>	<b>170.000</b>	<b>169.333</b>
<b>Capital Financing Requirement</b>	194.200	190.905	187.629	184.371	181.123
<b>Under borrowing</b>	<b>27.200</b>	<b>19.572</b>	<b>16.962</b>	<b>14.371</b>	<b>11.790</b>

- 59 Operational Boundary and Authorised Limit – the Operational Boundary is the limit which external borrowing is not normally expected to exceed. Periods where the actual position is either below or above the boundary is acceptable subject to the authorised limit not being breached. The Authorised Limit represents a control on the maximum level of borrowing and is a statutory instrument.

	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Operational Boundary	205.000	205.000	205.000	205.000
Authorised Limit	210.000	210.000	210.000	210.000

- 60 Actual and estimates of the ratio of financing costs to net revenue stream – this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue streams.

	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
Ratio of financing costs to net revenue stream:				

## Leadership Board

Tyne and Wear Levy	2.5	2.4	2.4	2.4
Tyne Tunnels account	25.1	24.0	22.2	22.5

The estimates of financing costs include current commitments and the proposals in the budget report.

### h) MRP Policy Statement

- 61 The CIPFA Prudential Code for Capital Finance in Local Authorities requires the Leadership Board to agree an annual policy for the Minimum Revenue Provision (MRP).
- 62 The MRP is the amount that is set aside each year to provide for the repayment of debt. The regulations require the authority to determine an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG. The guidance provides recommended options for the calculation of a prudent provision but local authorities have significant discretion in determining the level of MRP which they consider to be prudent.
- 63 The Government updated its Statutory Guidance on MRP on 2 February 2018, with some elements of the guidance taking effect from 1 April 2018.
- 64 The Authority's annual MRP policy has been set in line with the following principles:
- Supported capital borrowing (pre-2008) debt – minimum revenue provision to be made on a 2% straight line basis.
  - Supported capital borrowing undertaken on behalf of Nexus, being a 4% minimum revenue provision – this relates to historic debt (prior to 1 April 2008) only.
  - For unsupported capital borrowing (Prudential Borrowing) undertaken on behalf of Nexus, making provision for the debt in equal annual instalments over the estimated life of the asset.
  - For unsupported capital borrowing for the New Tyne Crossing, making provision for the debt over the life of the asset on an annuity basis. This basis is suitable for use on this particular project as it is consistent with the financial model which reflects an increase in traffic and tolls over the life of the concession contract. A 50 year asset life is assumed.

## Leadership Board

- For unsupported capital borrowing (prudential borrowing) in relation to Enterprise Zones, making provision for the repayment of debt over the life of the asset on an annuity basis (maximum of 25 years); or making provision for the repayment of the debt over a shorter period on an annuity basis for a period agreed by the CFO with reference to the estimate of business rates income receivable to repay the debt.
- The Authority retains the right to make additional voluntary payments to reduce debt if deemed prudent.

65 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy would be kept under regular review in order to ensure that the annual provision is prudent.

### i) Other Matters

#### Training

66 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny and training will be arranged as required. There is a further requirement that the training needs of treasury management officers are periodically reviewed.

#### Policy on use of external advisers

67 Link Asset Services are Durham County Council's treasury management advisers and whilst they provide professional support to the internal treasury management team, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Authority. This service is subject to regular review.

The range of services provided by the advisers currently includes:

- technical support on treasury matters and capital finance issues;
- economic and interest rate analysis;
- debt services which includes advice on the timing of borrowing;
- debt rescheduling advice surrounding the existing portfolio;
- generic investment advice on interest rates, timing and investment instruments;
- credit ratings/ market information service, comprising the three main credit rating agencies

## Leadership Board

### Annex 1: Treasury Management Policy Statement and Practices

#### Treasury Management Policy Statement

The Authority defines its treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority, and any financial instruments entered into to manage these risks.

The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

#### Treasury Management Practices

From 1 April 2020, Durham County Council will provide Treasury Management support to NECA under a service level agreement. Accordingly, NECA will adopt the TMPs of Durham County Council to enable this support to be provided to implement its Treasury Management Policies.

#### TMP1 Risk management

##### General Statement

The Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*.

The arrangements for the management of identified risks are detailed overleaf.

## Leadership Board

### Credit and Counterparty Risk Management

The Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments, methods and techniques*. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

### Liquidity Risk Management

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

### Interest Rate Risk Management

The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to a consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

### Exchange Rate Risk Management

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.



## Leadership Board

### Inflation Risk Management

The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

### Refinancing Risk Management

The Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

### Legal and Regulatory Risk Management

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

### Fraud, Error and Corruption, and Contingency Management

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

### Price Risk Management

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the

## Leadership Board

principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

### **TMP2 Performance Measurement**

The Authority is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

### **TMP3 Decision Making and Analysis**

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

### **TMP4 Approved Instruments, Methods and Techniques**

The Authority will undertake its treasury management activities within the limits and parameters defined in TMP1 *Risk management*.

Where the Authority intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The organisation will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

### **TMP5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling



## Leadership Board

these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The delegations to the responsible officer in respect of treasury management are set out in the Authority's constitution. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

### **TMP6 Reporting Requirements and Management Information Arrangements**

The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The Leadership Board will receive:

- (a) an annual report on the strategy and plan to be pursued in the coming year;
- (b) a mid-year review;
- (c) an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

## Leadership Board

The Leadership Board will receive regular monitoring reports on treasury management activities and risks.

The Audit and Standards committee, will have responsibility for the scrutiny of treasury management policies and practices.

### **TMP7 Budgeting, Accounting and Audit Arrangements**

The responsible officer will prepare, and the Authority will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

The Authority will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

### **TMP8 Cash and Cash Flow Management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 *Liquidity risk management*.

### **TMP9 Money Laundering**

The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

### **TMP10 Training and Qualifications**

The Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities

## Leadership Board

allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that members tasked with treasury management responsibilities have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

### TMP11 Use of External Service Providers

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

### TMP12 Corporate Governance

The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Authority has adopted and has implemented the key principles of the Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

## **Leadership Board**

### **TREASURY MANAGEMENT PRACTICES – DETAILED SCHEDULES**

The following schedules have been prepared to support the implementation of the TMPs.

**TMP 1 Risk management**

**TMP 2 Best value and performance measurement**

**TMP 3 Decision-making and analysis**

**TMP 4 Approved instruments, methods and techniques**

**TMP 5 Organisation, clarity and segregation of responsibilities,  
and dealing arrangements**

**TMP 6 Reporting requirements and management information  
arrangements**

**TMP 7 Budgeting, accounting and audit arrangements**

**TMP 8 Cash and cash flow management**

**TMP 9 Money laundering**

**TMP 10 Training and qualifications**

**TMP 11 Use of external service providers**

**TMP 12 Corporate Governance**

## Leadership Board

### TMP 1 RISK MANAGEMENT

#### 1.1 CREDIT AND COUNTERPARTY RISK MANAGEMENT

##### **Credit and counterparty risk**

*The risk of failure by a third party to meet its contractual obligations to the Authority under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Authority's capital or current (revenue) resources.*

##### 1.1.1 Criteria to be used for creating/managing approved counterparty lists/limits:

- (a) Suitable criteria for assessing and monitoring the credit risk of investment counterparties will be formulated and a lending list comprising time, type, sector and specific counterparty limits will be constructed. This criteria will follow the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance issued in February 2018 to cover financial years from 1 April 2018.
- (b) The primary criteria used in the selection of counterparties is their credit worthiness. However the authority will also monitor latest market information and reduce the limits imposed on third parties where appropriate.
- (c) The Authority's Treasury Management Advisers provide a regular update of all the ratings relevant to the authority as well as any changes to the counterparty credit ratings. This information is also available via their website.
- (d) Credit ratings will be used as supplied from one or more of the following credit rating agencies: -
  - Fitch Ratings
  - Moody's Investors Services
  - Standard and Poor's
- (e) Counterparty limits will be as set within the annual Treasury Management Strategy reported to Authority.

##### 1.1.2 Credit ratings for individual counterparties can change at any time. The Chief Finance Officer is responsible for applying the stated credit rating criteria in 1.1.1 for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or

## Leadership Board

takeovers. This is delegated on a daily basis to the Durham County Council Treasury Management team who provide treasury management support to NECA.

- 1.1.3 When there is a change in the credit ratings of individual counterparties or in banking structures (e.g. on mergers or takeovers in accordance with the criteria in 1.1.1) the Chief Finance Officer will also adjust lending limits and periods. This is delegated on a daily basis to the Durham County Council Treasury Management team who provide treasury management support to NECA.

### 1.2 **LIQUIDITY RISK MANAGEMENT**

#### **Liquidity Risk**

*The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Authority's business/service objectives will be thereby compromised.*

#### 1.2.1 **Cash Flow**

NECA finance officers will maintain, on a daily basis, a cash flow projection showing:

- (a) all known income and expenditure
- (b) all anticipated income and expenditure.

This record will be maintained for a minimum period of 12 months ahead of current date.

#### 1.2.2 **Amounts of approved minimum cash balances and short-term investments**

The Treasury Management team shall seek to ensure that the balance held in the Authority's main bank accounts at the close of each working day is held at a level in order to maximize the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim.

#### 1.2.3 **Short-term borrowing facilities**

The Authority can access temporary loans through approved brokers on the London money market.

## Leadership Board

### 1.2.4 Closure of Offices

When the Authority's offices are closed on a banking day, then provision will be made for expected clearances and receipts. The actual strategy to be adopted will depend on overall liquidity and market conditions at the time and available staff resources. At such times the Treasury Management team undertakes transfers, anticipating cash flow within the Authority's accounts.

## 1.3 INTEREST RATE RISK MANAGEMENT

### Interest rate risk

*The risk that fluctuations in the levels of interest rates creates an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.*

### 1.3.1 Details of approved interest rate exposure limits

This risk is considered as part of the Treasury Management Strategy Statement approved by Authority in February each year. The Strategy sets interest rate exposure limits in accordance with the requirements of the CIPFA Prudential Code. A variety of Prudential indicators is required to be approved and monitored by Authority. The Authority will have regard to potential fluctuations in interest rates when borrowing or lending surplus cash. Advice will be sought from the Authority's Treasury Management advisers before any non-routine transaction is made.

### 1.3.2 Maximum proportion of variable rate debt/interest

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates.

## 1.4 EXCHANGE RATE RISK MANAGEMENT

### Exchange rate risk

*The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.*

### 1.4.1 Approved criteria for managing changes in exchange rate levels

NECA rarely deals with foreign currency so an exposure to exchange rate risk will be minimal. However, as a result of the nature of the Authority's business, the Authority may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. Where appropriate the Authority will adopt a hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Authority will minimize all foreign exchange exposures as soon as they are identified.



## Leadership Board

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Authority has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency may be held on deposit to meet this expenditure commitment, depending on the expected timing of transactions.

### 1.5 **INFLATION RISK MANAGEMENT**

#### **Inflation risk**

*The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.*

#### **1.5.1 Details of approved inflation exposure limits for cash investments/debt**

During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation. The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within TMP 1 *Risk Management*.

#### **1.5.2 Approved criteria for managing changes in inflation levels**

Inflation both current and projected will form part of the debt and investment decision-making criteria both within the strategy and operational considerations.

### 1.6 **REFINANCING RISK MANAGEMENT**

#### **Refinancing risk**

*The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Authority for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.*

#### **1.6.1 Debt/other capital financing maturity profiling, policies and practices**

The maturity profile of debt will be monitored and used to minimize any refinancing risk in consultation with the Authority's treasury advisors. Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored. The reasons for any rescheduling to take place will include:

- (a) The generation of cash savings at minimum risk;



## Leadership Board

- (b) To reduce the average interest rate;
- (c) To enhance the balance of the long term portfolio (amend the maturity profile and /or the balance of volatility)

### 1.6.2 Projected capital investment requirements

The Authority will prepare forecasts of capital investment needs and resources covering at least a three-year period within the Medium Term Financial Plan (MTFP). This will identify capital financing requirements and therefore the need to borrow to finance the capital programme. The MTFP provides details of the Authority's financial plans covering a three-period and is updated on an annual basis.

### 1.6.3 Policy concerning limits on revenue consequences of capital financings

As part of compliance with the CIPFA Prudential Code, the Authority will consider the revenue consequences of any capital scheme to ensure it is affordable, prudent and sustainable.

## 1.7 LEGAL AND REGULATORY RISK MANAGEMENT

### Legal and regulatory risk

*The risk that the Authority itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Authority suffers losses accordingly.*

### 1.7.1 References to relevant statutes and regulations

The treasury management activities of the Authority shall comply with legal statute and the regulations of the Authority.

### 1.7.2 Procedures for evidencing the Authority's powers/authorities to counterparties

The Authority will prepare, adopt and maintain, as the cornerstones for effective treasury management:-

- (a) A Treasury Management Policy Statement, stating the overriding principles and objectives of its Treasury Management activities.
- (b) Treasury Management Practices, setting out the manner in which the Authority will achieve those principles and objectives, and prescribing how it will manage and control those activities.

### 1.7.3 Required information from counterparties concerning their powers/authorities

Lending shall only be made to counterparties on the authorised list and borrowings will only be undertaken from recognized and reputable counterparties to comply with TMP 9 Money Laundering.

## Leadership Board

Durham County Council (providing support to NECA) hold letters verifying that the approved brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

### 1.7.4 Statement on the Authority's political risks and their management

The Authority recognises that future political, legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the authority.

### 1.8 FRAUD, ERROR AND CORRUPTION, BUSINESS CONTINUITY AND CONTINGENCY MANAGEMENT ARRANGEMENTS

#### **Fraud, error and corruption, business continuity and contingency risk**

*The risk that the Authority fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures to maintain effective business continuity and contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.*

#### 1.8.1 Details of systems and procedures to be followed, including internet services

Durham County Council's Treasury Management function is subject to a regular review by the Council's Internal Audit Service. The systems and procedures followed are described below:

##### **Authority:**

- The Scheme of Delegation to Officers sets out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by the Chief Finance Officer or authorized persons.

##### **Occurrence:**

- Detailed register of loans and investments is maintained.
- Adequate and effective cash flow forecasting records are maintained to support the decision to lend or borrow.
- Written confirmation is received from the lending or borrowing institution

## Leadership Board

- All transactions placed through the brokers are confirmed by a broker note, showing details of the loan arranged.

### **Completeness:**

- The loans register is updated to record all lending and borrowing. This includes the date of the transaction and interest rates and covers both Treasury Management loans and others to third parties that are not part of the routine Treasury Management activity.

### **Measurement:**

- The Treasury Management team checks the calculation of repayment of principal and interest notified by the lender or borrower for accuracy.
- The Treasury Management team calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to these lenders.

### **Timeliness:**

- The Treasury Management team maintains an up to date diary and register that clearly identifies when money borrowed or lent is due to be repaid.

### **Regularity:**

- Lending is only made to institutions on the Approved List or as specifically approved by Cabinet for loans that are outside the usual Treasury Management activity.
- All loans raised and repayments made go directly to and from the institutions bank account.
- Authorisation limits are set for every institution (see 1.1.1).
- A list of named officials authorised to perform loan transactions is maintained.
- There is adequate Fidelity Guarantee insurance cover for employees involved in loans management and accounting.

### **1.8.2 Contingency planning and business continuity management arrangements**

If the Electronic Banking System fails, there is a contingency arrangement in place with the Bank whereby cash balances can be obtained from Lloyds Bank, and the Authority can make CHAP payment instructions (which are normally input directly into the electronic payment system) to Lloyds, via telephone and/or e-mail.

In the event of a business continuity problem, which prevents access to the electronic payment system, the present contingency management arrangements will be invoked.

### **1.8.3 Insurance cover details**

## Leadership Board

The officers concerned in the treasury management function are covered by appropriate fidelity guarantee insurance.

### 1.9 **MARKET RISK MANAGEMENT**

#### **Market risk**

*The risk that, through adverse market fluctuations in the value of the principal sums invested, the Authority's stated treasury management policies and objectives are compromised, so it has not protected itself adequately against the effects of the fluctuations.*

#### **1.9.1 Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs, etc.)**

The Authority does not normally make investments where the capital value may fluctuate. Investment instruments used by external fund managers are subject to fluctuations in capital and exposure to interest rate risk. The Authority does not currently use external fund managers but will keep the situation under review. In order to minimise the risk of fluctuations in capital value of investments, capital preservation is set as the primary objective.

## Leadership Board

### TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENT

#### **2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS**

Durham County Council's Treasury Management consultants are required to carry out a health check of the Treasury Management function, who provide support to NECA.

#### **2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT**

##### **2.2.1 Frequency and processes for tendering**

Tenders are normally awarded for a minimum ranging from two to five years. The process for advertising and awarding contracts will be in line with Durham County Council's Contract Standing Orders.

##### **2.2.2 Banking services**

Banking services will be reviewed every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

##### **2.2.3 Money-broking services**

The Authority will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services. The Chief Finance Officer may add brokers to the list during the year, providing they meet the Authority's standards and requirements.

##### **2.2.4 Consultants'/advisers' services**

Durham County Council's policy is to separately appoint professional treasury management consultants and leasing advisory consultants.

##### **2.2.5 Policy on External Managers (Other than relating to Superannuation Funds)**

The Authority's current policy is not to use an external investment fund manager to manage a proportion of surplus cash. This will be kept under review.

#### **2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE AUTHORITY'S TREASURY MANAGEMENT ACTIVITIES**

Performance of the Treasury Management function will be measured against annual Treasury Management Strategy Statement targets and compliance with the CIPFA Code of Treasury Practice.

## Leadership Board

Performance will be monitored monthly against approved budgets and internally agreed targets.

### **2.4 BENCHMARKS AND CALCULATION METHODOLOGY:**

2.4.1 Performance will be measured against Annual Treasury Management Strategy targets:

#### **Debt management**

Average rate on all external debt  
Average maturity of external debt

#### **Investment**

The performance of in house investment earnings will be measured against 7 day LIBID, (London Inter-Bank Bid Rate)

## Leadership Board

### TMP 3 DECISION-MAKING AND ANALYSIS

#### **3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS /TECHNIQUES:**

##### **3.1.1 Records to be kept**

- (a) Daily cash projections.
- (b) Telephone / e-mail rates.
- (c) Dealing ticket for all money market transactions.
- (d) PWLB loan schedules.
- (e) Local bond certificates (if used).
- (f) Market bond certificates (if used).
- (g) Temporary loan receipts (if used).
- (h) Brokers confirmations for deposits/investments.
- (i) Contract notes received from fund managers (if used).
- (j) Fund managers valuation statements (if used).
- (k) Confirmation notes from borrowers.

##### **3.1.2 Processes to be pursued**

- (a) Cash flow analysis.
- (b) Maturity analysis.
- (c) Ledger reconciliations
- (d) Review of borrowing requirement.
- (e) Monitoring of projected loan charges and interest and expenses costs.
- (f) Review of opportunities for debt rescheduling.
- (g) Collation of performance information.

##### **3.1.3 Issues to be addressed.**

##### ***3.1.3.1 In respect of every decision made the Authority will:***

- (a) Above all be clear about the nature and extent of the risks to which the Authority may become exposed.
- (b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- (c) Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping
- (d) Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded

## Leadership Board

- (e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

### **3.1.3.2 *In respect of borrowing and other funding decisions, the Authority will:***

- (a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- (b) Consider the merits of alternative forms of funding, including (but not exclusively) funding from revenue, leasing and private partnerships
- (c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- (d) Consider the ongoing revenue liabilities created, and the implications for the Authority's future plans and budgets.

### **3.1.3.3 *In respect of investment decisions, the Authority will:***

- (a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- (b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital.



## Leadership Board

### TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

#### 4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- (a) Borrowing;
- (b) Lending;
- (c) Debt repayment and rescheduling;
- (d) Consideration, approval and use of new financial instruments and treasury management techniques;
- (e) Managing the underlying risk associated with the Authority's capital financing and surplus funds activities;
- (f) Managing cash flow;
- (g) Banking activities;
- (h) Leasing.

#### 4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

All investments will comply with the Authority's Annual Investment Strategy (which takes into account guidance issued by the Secretary of State concerning Local Authority investments). The instruments used will be:

- (a) Term deposits with banks and building societies
- (b) Term deposits with non-rated subsidiaries of an institution meeting the basic credit criteria
- (c) Debt Management Office
- (d) Treasury Bills
- (e) Term deposits with other Local Authorities and Parish Councils
- (f) Money market funds that meet the criteria set in the investment policy
- (g) Ultra-Short dated Bond Funds
- (h) Property Funds

#### 4.3 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act 1989, and within this limit the Authority has a number of approved methods and sources of raising capital finance.

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Chief Finance Officer.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Finance Officer has

## Leadership Board

delegated powers through this policy and the strategy to take the most appropriate form of borrowing from the approved sources.

## **Leadership Board**

### **TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

#### **INDEX OF SCHEDULES:**

- 5.1 Limits to responsibilities/discretion at Authority/Director levels**
- 5.2 Principles and practices concerning segregation of duties**
- 5.3 Treasury management organisation chart**
- 5.4 Statement of duties/responsibilities of each Treasury post and other officers involved with Treasury Management**
- 5.5 Absence cover arrangements**
- 5.6 Investment Dealing Limits**
- 5.7 List of approved brokers**
- 5.8 Policy on brokers' services**
- 5.9 Policy on recording of conversations**
- 5.10 Direct dealing practices**
- 5.11 Settlement transmission procedures**
- 5.12 Documentation requirements**
- 5.13 Arrangements concerning the management of third-party funds.**

#### **5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT AUTHORITY/DIRECTOR LEVELS**

- (a) Leadership Board will receive and review reports on treasury management policies, practices and activities, and the annual treasury management strategy.
- (b) The Chief Finance Officer will be responsible for amendments to the Authority's adopted clauses, treasury management policy statement and treasury management practices.

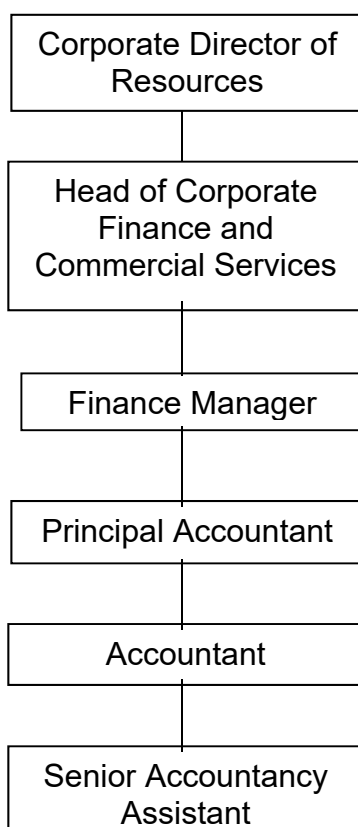
#### **5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES**

## Leadership Board

Durham County Council provide Treasury Management support to NECA. In addition, the Corporate Director of Resources has the role of Chief Finance Officer for NECA.

The Corporate Director of Resources will ensure there is always adequate segregation of duties in all transactions.

### 5.2.1 DURHAM COUNTY COUNCIL TREASURY MANAGEMENT ORGANISATION CHART



### 5.3 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST AND OTHER OFFICERS INVOLVED WITH TREASURY MANAGEMENT

#### 5.3.1 Corporate Director of Resources

(a) The Corporate Director of Resources will:

- Recommend clauses, treasury management policy/practices for approval, reviewing the same regularly and monitor compliance

## Leadership Board

- Submit Treasury Management reports to NECA Leadership Board
  - Authorise and maintain TMPs and Schedules
  - Set, submit and monitor budgets
  - Review the performance of the treasury management function.
  - Ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function
  - Ensure the adequacy of internal audit and liaise with external audit
  - Recommend the appointment of external service providers and brokers where appropriate.
  - Approve and authorise investment deals (within dealing limits – see 5.6)
- (b) The Corporate Director of Resources has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.
- (c) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of The Corporate Director of Resources to be satisfied, by reference to legal and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations.
- (d) The Corporate Director of Resources may delegate power to borrow and invest to members of staff to conduct all dealing transactions. All transactions must be processed by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

### 5.4.2 Head of Corporate Finance and Commercial Services

The treasury responsibilities of this post will be to assist the Corporate Director of Resources to:

- (a) Formulate the Treasury Management Strategy.
- (b) Identify and recommend opportunities for improved practices
- (c) Supervise Treasury Management staff
- (d) Monitor performance
- (e) Review the performance of treasury management functions

### 5.4.3 Finance Manager

The treasury responsibilities of this post will be to assist the Corporate Director of Resources and the Head of Corporate Finance and Commercial Services to:

- (a) Formulate the Treasury Strategy

## Leadership Board

- (b) Produce the Treasury Management reports to Council
- (c) Identify and recommend opportunities for improved practices
- (d) Supervise Treasury Management staff
- (e) Monitor performance
- (f) Review the performance of treasury management functions
- (g) Implement Treasury Management Strategy
- (h) Approve and authorise investment deals (within dealing limits – see 5.6)
- (i) Approve Chaps payments/Faster payments according to the limits in the Table of Payment Approval Responsibilities below
- (j) Arrange rescheduling or premature repayment of existing borrowings.

### 5.4.4 Principal Accountant

This post responsibilities to assist the Finance Manager – Commercial Capital Treasury to:

- (a) Formulate the Treasury Strategy.
- (b) Identify and recommend opportunities for improved practices
- (c) Supervise Treasury Management staff
- (d) Monitor performance
- (e) Review the performance of treasury management functions
- (f) Implement Treasury Management Strategy
- (g) Approve and authorise investment deals (within dealing limits – see 5.6)
- (h) Approve Chaps/Faster payments according to the limits in the Table of Payment Approval Responsibilities below

### 5.4.5 Accountant

This post has responsibilities to:-

- (a) Calculate daily cash balances
- (b) Monitor performance and market conditions on a day to day basis and recommend investments
- (c) Adhere to agreed policies and procedures on a day to day basis
- (d) Enter transmission of monies via Lloyds Banking system
- (e) Approve Chaps/Faster payments according to the limits in the Table of Payment Approval Responsibilities below
- (f) Select Brokers from approved list
- (g) Adhere to agreed policies and practices on a day to day basis
- (h) Submit management information reports
- (i) Maintain cash flow projections
- (j) Record investment deals and obtain third party loan confirmation
- (k) Identify and maintain relationships with 3rd parties and external partners
- (l) Ensure counter party limits are not exceeded

## Leadership Board

### 5.4.6 Senior Accountancy Assistant/Principal Accountancy Assistant

This post has responsibilities to:-

- (a) Calculate daily cash balances
- (b) Enter transmission of monies via Lloyds Banking system
- (c) Select Brokers from approved list
- (d) Adhere to agreed policies and practices on a day to day basis
- (e) Submit management information reports
- (f) Maintain cash flow projections
- (g) Obtain third party loan confirmation
- (h) Ensure counter party limits are not exceeded

#### Table of Payment Approval Responsibilities

Monetary Limit per Investment	Number of Approvers	Level of Approver Required
Up to £100,000	1	Any one of Accountant/Principal Accountant/Finance Manager
£100,000 to £20,000,000	2	Any two of Accountant/Principal Accountant/Finance Manager
£20,000,000 to £30,000,000	2	Any two of Principal Accountant/Finance Manager

### 5.4 ABSENCE COVER ARRANGEMENTS

The Corporate Director of Resources is responsible for ensuring that adequate arrangements are in place to cover staff absences.

### 5.6 INVESTMENT DEALING LIMITS

Dealings can be carried out providing that transactions are within limits determined by the Authority and the Chief Finance Officer as detailed in the table below:

Officers	Limits
Corporate Director of Resources and Head of Corporate Finance and Commercial Services	As per limits set within the Treasury Management Strategy
Finance Manager & Principal Accountant	As per limits set within the Treasury Management Strategy for dealings of up to 12 months
Accountant	As per limits set within the Treasury Management Strategy for dealings of up to 12 months, in consultation with

## Leadership Board

	Finance Manager or Principal Accountant
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### 5.7 **LIST OF APPROVED BROKERS**

A list of approved brokers is maintained within the Treasury Management section and a record of all transactions recorded against them.

### 5.8 **POLICY ON BROKERS' SERVICES**

It is the Authority's policy to divide business between brokers.

### 5.9 **POLICY ON RECORDING OF CONVERSATIONS**

It is not the Authority's Policy to record broker's conversations

### 5.10 **DIRECT DEALING PRACTICES**

It is an acceptable practice for the Authority to make direct dealings with suitable counterparties if the use of Brokers does not provide a satisfactory financial arrangement at any time.

### 5.11 **SETTLEMENT TRANSMISSION PROCEDURES**

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Lloyds Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and a card operated pin number. A manual back up facility, agreed with Lloyds Bank, is in place to cover system failure.

### 5.12 **DOCUMENTATION REQUIREMENTS**

For each deal undertaken a record should be prepared giving details of amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

### 5.13 **ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS**

The authority manages funds under delegated powers for the Office of the Durham Police, Crime and Victims' Commissioner and the Durham County Council Pension Fund. From 1<sup>st</sup> April 2020 it will also manage funds for the North East Combined Authority.



## Leadership Board

### TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS

#### 6.1 ANNUAL TREASURY MANAGEMENT STRATEGY

The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial. This strategy will be submitted to the Leadership Board for approval before the commencement of each financial year.

The formulation of the annual treasury management strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates.

The Treasury management statement is concerned with the following elements:

- (a) Summary Treasury Position;
- (b) Borrowing Strategy;
- (c) Other Debt and Long Term Liability Plans
- (d) Cash Investment Strategy;
- (e) Non-Treasury Investments
- (f) Treasury Management Indicators;
- (g) Prudential Indicators;
- (h) MRP Policy Statement;
- (i) Other Matters

#### 6.2 MID-YEAR REVIEW OF ANNUAL TREASURY MANAGEMENT ACTIVITY

A report will be presented to the the Leadership Board detailing performance for the six months to 30<sup>th</sup> September against the items reported in the annual strategy. The report will be presented to the Leadership Board at the earliest practicable meeting after the mid-year point.

#### 6.3 ANNUAL PERFORMANCE REPORT

An annual report will be presented to the Leadership Board at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- (a) Summary Treasury Position;
- (b) Borrowing Activity;
- (c) Other Debt and Long Term Liability Activity;
- (d) Investment activity;
- (e) Treasury Management Indicators;

## Leadership Board

- (f) Prudential Indicators;

## Leadership Board

### TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

#### 7.1 **STATUTORY/REGULATORY REQUIREMENTS**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognized by statute as representing proper accounting practices.

#### 7.2 **ACCOUNTING PRACTICES AND STANDARDS**

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain. The Authority adopts in full the principles set out in:

- (a) the CIPFA Code of Practice on Treasury Management in the Public Services;
- (b) the CIPFA Prudential Code for Capital Finance in Local Authorities;
- (c) the Code of Practice on Local Authority Accounting in the United Kingdom (Statement of Recommended Practice);
- (d) Statutory Guidance on Local Authority Investments;
- (e) Statutory Guidance on Minimum Revenue Provision and
- (f) any other mandatory guidance covering this service area.

#### 7.3 **BUDGETING AND ACCOUNTING ARRANGEMENTS**

The Finance Manager will prepare an annual budget for treasury management, which will bring together all the expenditure incurred with regard to this activity, as well as the associated income. The Finance Manager will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with section TMP6 *Reporting Requirements and Management Information Arrangements*.

All transactions for loans, repayments and interest paid and received are recorded to general ledger codes reserved for these purposes.

#### 7.4 **LIST OF INFORMATION REQUIREMENTS OF INTERNAL AND/OR EXTERNAL AUDITORS**

The Authority will ensure that all those charged with regulatory review, including internal and external auditors, have access to all information and papers supporting the activities of the treasury management function.

## Leadership Board

### TMP 8 CASH AND CASH FLOW MANAGEMENT

#### 8.1 **ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS**

The authority will monitor and complete daily cashflow forecasts for major items of income and expenditure. The annual and monthly cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. Additionally, a strategic cashflow forecast will be prepared annually and updated as necessary.

## Leadership Board

### TMP 9 MONEY LAUNDERING

#### 9.1 PROCEDURES FOR ESTABLISHING IDENTITY/AUTHENTICITY OF LENDERS

The Authority will only accept loans from individuals where the funds are transferred through a United Kingdom domiciled bank account. All other loans are obtained from the PWLB or from authorised institutions under the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website at <https://register.fca.org.uk/>

#### 9.2 RECONCILIATION OF DEPOSITS

All deposits are identified and reconciled on a daily basis. The source of each deposit is verified so they can be allocated to the appropriate fund within the main accounting system. Staff will be kept aware of developments in money laundering regulations and will be encouraged to keep abreast of money laundering issues through specific training, publications and the Internet.

## Leadership Board

### TMP 10 STAFF TRAINING AND QUALIFICATIONS

#### 10.1 DETAILS OF TRAINING ARRANGEMENTS

The Corporate Director of Resources is committed to ensuring that staff engaged in Treasury Management activities are appropriately trained, so they can carry out their duties to the required standards.

Staff employed in the treasury management function will be qualified to the level that is appropriate to their post. All staff will be given appropriate basic training before fulfilling their treasury management duties for the first time and will be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

Training courses run by CIPFA and other training providers such as our Treasury Advisors will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff as part of their annual appraisal. The authority will take all reasonable steps to ensure that staff are adequately trained.

CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP).

## Leadership Board

### TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

#### **11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS**

##### **11.1.1 Banking services**

- (a) Name of supplier of service is Lloyds Bank plc. The branch address is:  
19 Market Place  
Durham  
DH1 3NL
- (a) Contract commenced 5th January 2015 and runs for a minimum 5 years, subject to one year's notice, such notice to expire after the minimum period
- (b) Cost of service is variable depending on schedule of tariffs and volumes agreed at the beginning of the contract

##### **11.1.2 Money-broking services**

Name of suppliers of service:

- (a) Martin Brokers (UK) plc
- (b) Tradition (UK) Ltd
- (c) King and Shaxson
- (d) BGC Brokers
- (e) Tullett Prebon (Europe) Limited

The Chief Finance Officer may add brokers to the list during the year, providing they meet the Authority's standards and requirements.

No commission is paid by the Authority to any money broker

##### **11.1.3 Consultants/advisers services**

- (a) Treasury Consultancy Services

Name of supplier of service is Link Asset Services Their address is:  
65 Gresham Street  
London  
EC2V 7NQ

- (b) Leasing Consultancy Services.

Name of the supplier of the service is Link Asset Services. Their address is:  
65 Gresham Street  
London  
EC2V 7NQ

## Leadership Board

The cost of the service is dependent upon the value of leasing drawdowns which take place throughout the year.

- (c) External Fund Managers  
There are none at present.

External Fund Managers and other consultancy services may be employed on short term contracts as and when required.



## Leadership Board

### TMP 12 CORPORATE GOVERNANCE

#### 12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

To support the implementation of a robust corporate governance policy, the following documents are available for public inspection:

- (a) Treasury Management Practices;
- (b) Treasury Management Strategy;
- (c) Mid-year Treasury Management Review;
- (d) Annual Treasury Management Report;
- (e) Annual Statement of Accounts, and
- (f) Annual Budget



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

## Agenda Item 12

Document is Restricted



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

## Agenda Item 13

Document is Restricted