

## Leadership Board

Tuesday 29 November 2022 at 2.00pm

Meeting to be held at: Mayor's Parlour, Sunderland City Hall, SR1 3DP

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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.  
Please also remember to leave the meeting where any personal interest requires this.

**3. Minutes of the Previous Meeting held on 4 October 2022** **1-6**

For approval as a correct record.

**4. Announcements from the Chair and/or the Head of Paid Service**

**5. Chair's Thematic Portfolio Update (Verbal Item)**

**6. Economic Development and Digital Theme Update** **7-14**

**7. Transport Thematic Portfolio Update** **15-22**

**8. Finance, Skills and Employability Thematic Portfolio Update** **23-32**

**9. Treasury Management Mid-Year Update** **33-42**

<b>10. NECA Budget 2023/24</b>	<b>43-50</b>
<b>11. Audit Completion Report 2021/22 - <i>Report to Follow</i></b>	<b>51</b>
<b>12. Statement of Accounts 2021/22 - <i>Report to Follow</i></b>	<b>53</b>
<b>13. Date and Time of Next Meeting:</b> 29 November 2022 at 2.00pm.	

## Leadership Board

### DRAFT MINUTES TO BE APPROVED

4 October 2022

(2.00pm – 2.25pm)

Meeting held at: Mayor's Parlour, Sunderland City Hall, SR1 3DP

#### Present:

**Councillors** Dixon (Chair), Gannon, Rowntree, Bell (attended on behalf of Durham County Council)

Lucy Winskell (NELEP)

**Officers** Iain Burns (Service Director, Gateshead Council), Paul Darby (Chief Finance Officer, NECA), Nicola Robason (Monitoring Officer), Gavin Armstrong (Policy and Scrutiny Officer, NECA) and Toby Ord (Strategy and Democratic Services Asst., NECA)

#### 1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Miller, Cllr Hopgood, Mike Barker, Patrick Melia, Sheena Ramsey and Jonathan Tew.

#### 2 DECLARATIONS OF INTEREST

None.

#### 3 MINUTES OF THE PREVIOUS MEETING HELD ON 26 JULY 2022

The minutes of the previous meeting held on 26 July 2022 were approved as a correct record.

#### 4 ANNOUNCEMENTS FROM THE CHAIR AND/OR HEAD OF PAID SERVICE

The Chair and the Head of Paid Service both submitted apologies to the meeting and were not present to deliver any announcements.

## **CHAIR'S THEMATIC PORTFOLIO UPDATE (VERBAL ITEM)**

Submitted: Report of the Chair (verbal item, not previously circulated nor attached to official minutes).

Councillor Rowntree delivered the Chair's Update on behalf of Councillor Miller, opening with a comment on the period of national mourning which recently passed.

It was stated that Queen Elizabeth II's passing was significant for the nation, and our region conducted itself appropriately, allowing the period to pass respectfully and exhibiting the Local Authorities' capability to work collaboratively.

Members were reminded that the COVID-19 issue is still prevalent and that it's the Authority's responsibility to ensure businesses and residents are equipped to live with COVID-19. There was said to be a possibility of a 'twindemic' during the winter, with the likelihood of flu and COVID-19 cases spiking rising.

Focus then moved onto Liz Truss' new Government, and the impact that new agenda policies are having on businesses and residents alike. Members were asked to acknowledge the vitality of our focus on new arising challenges so that as a collective we can aid people in emerging from said challenges and leave them in a strong position. The Government's new policy stance is one of growth as opposed to its predecessor's 'Levelling Up' agenda. The financial market's reactions to new policies were said to have been turbulent, with exchange rates, stock value and pensions all being affected.

Members were informed that the Government has requested Whitehall departments for further public expenditure cuts, leaving further budgetary pressures to be expected. With communities already in crisis regarding energy and bills, it was noted that such pressures will only exacerbate the situation for many, and it is therefore essential that we come together with our respective communities, support those who are most vulnerable and respond to budgetary challenges. The financial outlook for all organisations will be increasingly challenging, though it was said to be imperative that residents and businesses receive the support necessary where possible in order to provide maximum opportunity for everyone.

It was noted that the Authority awaits the Prime Minister and the Department for Levelling Up, Housing and Communities views on the North East Devolution Deal, which was noted as having the potential to be an exciting and beneficial deal for the region. Talks will look to be recontinued when the Government isn't so preoccupied with refocussing their agenda.

Members passed on their gratitude and commendation to Leaders, Chief Execs and other Officers who contributed to the great example of a collaborative effort in carrying out Operation London Bridge, demonstrating the level of quality of Local Government and other relevant organisations.

Councillor Gannon demonstrated concern over our collective ability to deal with arising financial concerns – as a region with already suffering areas of deprivation, rising energy costs and inflation was said to be crippling budgets for the current year. In Gateshead alone, there is already growing concern over a gap in funding for the next municipal year, and although North East authorities are effective and efficient in their budgeting, many Local Authorities nationwide will struggle in the face of challenge.

**RESOLVED that: -**

- i. the update be noted.

**6 ECONOMIC DEVELOPMENT AND DIGITAL THEME UPDATE**

Submitted: Report of the Economic Development and Digital Thematic Lead (previously circulated and copy attached to the official minutes).

The Thematic Lead for Economic Development and Digital provided a brief outline of the contents of the report, noting sections on the labour market, cost of living crisis and digital infrastructure.

It was noted that while unemployment rates fall, economic inactivity continues to rise, while the rising cost of living crisis continues to affect those most disadvantaged. Members were made aware that further detail can be found in the report, which also outlines the rollout process for Project Gigabyte.

**RESOLVED that: -**

- i. the report be noted.

**7 FINANCE, SKILLS AND EMPLOYABILITY THEMATIC PORTFOLIO UPDATE**

Submitted: Report of the Finance, Skills and Employability Thematic Lead (previously circulated and copy attached to the official minutes).

Councillor Richard Bell delivered the report on behalf of the Thematic Lead for Finance, Skills and Employability.

The report briefly covered the impact of high inflation levels, particularly in energy markets which was impacting Nexus' budget for high voltage and placing huge demands on local authority budgets.

There was a discussion over the significant financial uncertainty and volatility that exists at this time. Members touched on potential impacts on index linked benefits, noting that in order to protect the NHS and the triple lock on benefits, areas where money could potentially be squeezed would impact on local government and potentially more disproportionately in areas with higher levels of toward deprivation. Lobbying was needed to garner support for the sector and ensure the treasury was listening.

It was highlighted that a new further education funding and accountability system, as well as a new Government scheme which aims to help over two thousand adults with learning disabilities and autism get into work. Further, it was noted that the number of general and senior roles for women is on the rise, and the Department for Work & Pensions is investing £22m into assisting over 50s jobseekers who are looking for work.

Lucy Winskell queried the inconsistent approach to Local Skills Improvement Plans and support, though it was noted that the details in the report reference a national level summary. Members and Officers agreed to continue a more detailed discussion offline.

**RESOLVED that: -**

- i. the report be noted.
- ii. queries over LSIP's and support be circulated and discussed outside of the meeting.

## 8 BUDGET PROPOSALS 2023/24

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

The Chief Finance Officer delivered the report which set out initial budget proposals for the next year and the two years that follow together with the budget timetable for agreeing the budget and updated MTFS.

Members attention was initially drawn to the summary of forecast outturn, with the corporate budget expected to come in line with the budget agreed, with soe small overspends offset by additional interest on cash balances.

It was proposed that constituent authority contributions for the NECA and JTC Accountable Body is retained at £25,000 and £10,000 respectively per

authority next year, and that inflationary increases in operating costs would be offset by additional investment income.

Members were made aware that estimates included in the report were prepared prior to any new Government policy announcements in the upcoming budget.

It was also noted NECA had that week been notified that the External Audit Fees would increase by 150%, roughly £20,000-30,000 for NECA and JTC next year. This increase was impacting on all Councils and was not factored into the budget proposals included in the report.

A member queried the justification for this price hike: the Chief finance Officer noted that in some areas authorities were consistently unable to get their accounts signed off due to a lack of external audit staffing in the market and the aim was to drive up competition in accountancy firms looking to take on audits in the public sector. It was noted that previously, there has been difficulty in sourcing firms to fulfil the requirements of Local Authorities as the work was seen as uncompetitive. It was also noted that the statutory date for the external audit of last year's accounts had run over due to a technical issue linked to the valuation of infrastructure assets which inhibits all firms in the audit sector from finalising the audit at this time

**RESOLVED that: -**

- i. the report be noted.

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**DATE AND TIME OF NEXT MEETING**

Tuesday 29 November 2022 at 2.00pm.





## NECA Leadership Board

**Date:** 29 November 2022  
**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 a update on activity and progress under the Economic Development and Digital (EDD) theme of the North East Combined Authority.

The report provides an update on the economy and labour market across the NECA area (highlighting falling rates of unemployment, but rising economic inactivity and concerns around business and consumer confidence) and the plans of Government through the Autumn Statement taking place this month.

### Recommendations

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

## NECA 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, specifically:

- Economy;
- Labour Market;
- Government's Autumn Statement.

### 2.0 Economy

2.1 **The economy in the NECA area continues to be impacted by high energy prices, the increasing cost of living for residents, the rising costs of doing business and uncertainty over the future economic outlook.**

2.2 The main issue continuing to impact the economic outlook remains inflation and rising prices, particularly high energy costs. These continue to impact upon businesses across the North East and is the top issue being flagged to Local Authorities in the NECA area.

2.3 For example, businesses in the personal care sector have expressed real concerns about rising energy costs (one operator in the NECA area has seen energy bill estimates increase by 500%), manufacturers are reporting huge jumps in gas prices (a local manufacturer is reporting annual gas costs rising from £750k to £4m, stymieing their ability to invest) and Begbies Traynor reported a 4% increase in businesses in significant distress in the region.

2.4 Nationally, the economy, according to the Office for National Statistics shrank in the three months to September. The Bank of England expect that this will be the start of a recession lasting until early 2024.

2.5 The knock-on effect of rising inflation is the hit that consumer confidence and spending is likely to take. We are already seeing evidence of this with the economy growing much slower nationally than expected in July with potential warnings of a looming recession.

2.6 Recent business reports suggest falling confidence amongst businesses in the North East. Research from software plc Sage has suggested only just over half of North East firms are confident in their own success. Of 251 SMEs, 56% noted confidence compared to 53% in the UK as a whole. That's a 4% decline in the North East since March.

## NECA Leadership Board

- 2.7 Other regional reports, such as from NatWest and Lloyds, have painted a similar picture of falling optimism. In addition, as described below, vacancy rates are starting to fall for the first time in 2 years nationally and employers continue to struggle to recruit.
- 2.8 Anecdotally, this is partially due to temporary staff being unable to fill the void left by skilled workers looking for more lucrative, lower skilled roles or perceived better working conditions.
- 2.9 In terms of footfall, Google Mobility footfall data shows a mixed picture with visits to retail and recreation locations across the NECA area in October below pre-pandemic levels. However, visits to workplaces remain around 85% of pre-pandemic levels and public transport visit numbers are still 23% below those before March 2020 (and only very slightly up on last year).
- 2.10 Despite this, the economy appears to be, at the moment, showing resilience with many companies continuing to grow and invest, particularly in relation to the green economy. For example, the Offshore Wind North East conference took place in Sunderland in early November with significant turnout and a real focus upon global projects, supply chain and procurement opportunities, innovation, skills, floating offshore wind and logistics and infrastructure.
- 2.11 Likewise, stories of job losses across the NECA area has been minimal (potential for 1,300 job losses UK-wide at McColls), although the falling confidence and increased costs may lead to future job losses.

### 3.0 Labour market

- 3.1 **While the monthly claimant count in the NECA area has seen significant falls over the past year, and now (September 2022) stands at 4.1% (the lowest level since November 2018 and nearly half the rate of August 2020), rates of employment are not rising to the same extent and economic inactivity remains a major concern.**
- 3.2 September's claimant count data remained static but it has fallen every month since February 2021. There are now just under 30,000 people claiming out of work Universal Credit compared to 54,000 in August 2020 (at the heart of the pandemic) and 33,000 in March 2020 (before the virus emerged).
- 3.3 This masks the variation between the 3.4% rate in Durham and the 5.6% rate in South Tyneside, although all areas have seen reductions since the pandemic highs; although such falls are certainly slowing. This appears to reflect the slowing and potential contraction of the economy as highlighted above feeding through to employer intentions.

## NECA Leadership Board

- 3.4 It also does not show the complete picture. The wider measure of employment has not caught up with the falls in the claimant count as data for July 2021 to June 2022 shows an employment rate of 71.6%, up from a year previously but below 2019 and 2020 levels (and below the national 75.5% level).
- 3.5 The wider measure of unemployment has fallen to 4.6% (July 2021 to June 2022), some of the lowest rates for the past two decades, but above the 3.8% national average.
- 3.6 These measures, while encouraging, disguises the rise in economic inactivity and people outside the labour market. Economic inactivity driven by those away from the labour market due to ill-health saw its largest ever quarterly rise nationally in the latest set of figures. Economic inactivity in the NECA area is now at 25%, one in four of our working age population, and has increased significantly since 2018/19.
- 3.7 Labour demand appears relatively resilient given the near-record high vacancy rates – and reports from across the area suggest employers are still struggling to recruit, particularly for health and social care staff, hospitality workers, developers and engineers – but these are not feeding through into significant pay rises and real pay continues to fall.
- 3.8 Furthermore, rising prices and uncertainty appear to be impacting upon recruitment with labour demand starting to weaken. As rising costs and falling real terms pay cut into consumer and business confidence, this presents a real challenge for residents and businesses across the NECA area.
- 3.9 The Bank of England are forecasting national unemployment will rise from 3.8% to 6.5% by 2024, a trend, if this proves accurate, is likely to be disproportionately felt across the regional and NECA economies.
- 4.0 **Government's Autumn Statement**
- 4.1 Following the new Prime Minister taking office, the Treasury announced an Autumn Statement to take place on 17<sup>th</sup> November 2022 (delayed from the end of October).
- 4.2 The Chancellor will announce a range of tax raising measures, and public spending freezes or cuts to help meet the gap in government finances. It is likely that the Office for Budget Responsibility will present a difficult financial outlook and the requirement for future savings will bring additional pressure on public services.

## **NECA Leadership Board**

4.3. This report was written before the announcement of the Autumn Statement and its recommended Leadership Board discuss the key points of the Statement, particularly in relation to:

- The cost of living and the impact of Treasury decisions on benefits, the lowest-paid and pensioners;
- Local government funding;
- Rising demand for children's services and adult social care and winter pressures on these services and on the health system;
- Levelling Up (including Levelling Up Fund, UK Shared Prosperity Fund and Investment Zones);
- Capital spending and transport infrastructure (such as Northern Powerhouse Rail).

4.4 Future reports will analyse the impact of the Chancellor's Statement upon the NECA area.

### **5.0 Reasons for the Proposals**

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

### **6.0 Alternative Options Available**

There are no alternative options associated with this report.

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

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

### **8.0 Potential Impact on Objectives**

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

### **9.0 Financial and Other Resources Implications**

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

## **NECA Leadership Board**

### **10.0 Legal Implications**

There are no legal implications arising from this report.

### **11.0 Key Risks**

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

### **12.0 Equality and Diversity**

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

### **13.0 Crime and Disorder**

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

### **14.0 Consultation/Engagement**

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

### **15.0 Other Impact of the Proposals**

There are no further impacts arising from the proposals.

### **16.0 Appendices**

None

### **17.0 Background Papers**

None.

### **18.0 Contact Officers**

Rory Sherwood-Parkin, Corporate Lead – Policy & Insight, South Tyneside Council, [rory.sherwood-parkin@southtyneside.gov.uk](mailto:rory.sherwood-parkin@southtyneside.gov.uk)

John Scott, Head of Economic Growth, South Tyneside Council  
[john.scott@southtyneside.gov.uk](mailto:john.scott@southtyneside.gov.uk)

## **NECA Leadership Board**

### **19.0 Sign off**

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

### **21.0 Glossary**

None.





## Leadership Board

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**Date:** 29 November 2022

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

**Report of:** Thematic Lead for Transport

### Executive Summary

The purpose of this report is to provide an update on various transport matters of relevance to the NECA area.

### Recommendations

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

## **1. Background Information**

- 1.1 This report provides an update on transport issues affecting the NECA area.

### **Rail**

- 1.2 Work continues in respect of the new Metro fleet with the first train on target to be delivered to the North East by the end of the year. The Metro Flow project to increase capacity and improve resilience on the branch of between South Shields and Pelaw continues according to plan. Work continues with Government to endeavour to mitigate the significant impacts of the energy crisis on the cost base for Metro.
- 1.3 The Strategic Outline Business Case for the South of Tyne and Wearside Loop, which would see the introduction of Metro services to Washington, was presented to the North East Joint Transport Committee (NEJTC) on 15<sup>th</sup> November 2022.
- 1.4 The campaign to reopen the Leamside Line in full continues with a series of stakeholder activities planned in coming months. Several North East MPs have raised the issue in Parliament in relation to the Northern Powerhouse Rail scheme.
- 1.5 Performance on Northern Rail in our region has been particularly poor in recent months with a very high level of recorded service cancellations and delayed trains. The performance of Transpennine Express has also been highlighted as a concern by Northern Mayors, with many ongoing cancellations as a result of driver shortages

### **Buses**

- 1.6 The most recent draft of the Enhanced Partnership Scheme and Plan, setting out in more detail how the region intends to utilise the previously reported indicative allocation of £163.5m for the North East to deliver on the ambitions of the Bus Service Improvement Plan, was presented to the NEJTC on 15<sup>th</sup> November 2022 seeking approval for consultation; firstly with operators and then a wider exercise with the public and stakeholders.
- 1.7 Bus service reliability remains an issue due to driver shortages.

## **2. Proposals**

- 2.1 This report is for information only. Therefore no decisions are contained in this report.

## **3. Reasons for the Proposals**

- 3.1 This report is for information purposes only.

#### **4. Alternative Options Available**

4.1 Not applicable to this report.

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

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

#### **6. Potential Impact on Objectives**

6.1 Sustaining an effective public transport system will be critical to NECA in delivering its objective to maximise the area's opportunities and potential. In addition to this continuing investment in the projects and programmes outlined above will help ensure the area has a transport system capable of meeting current and future challenges.

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

7.1 The report includes information on funding and financial opportunities.

7.2 There are no specific additional financial implications for NECA arising from this report.

7.3 There are no Human Resource or ICT implications for NECA arising from this report.

#### **8. Legal Implications**

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

#### **9. Key Risks**

9.1 Various risks exist in relation to the impacts that a failure to achieve the region's aspirations for improving transport would have on wider economic and environmental objectives.

#### **10. Equality and Diversity**

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

#### **11. Crime and Disorder**

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

**12. Addressing Geographic Diversity:**

- 12.1 The continued provision of bus and other public transport services to more sparsely populated areas remains important to meeting the future needs of these areas.

**13. Climate Change/Environmental Sustainability**

- 13.1 Transport remains a major source of carbon dioxide and other pollutants. Sustaining effective public transport networks and investing in alternatives to the private car as well as Electric Vehicles are important to achieving further reductions in carbon emissions.

**14. Consultation/Engagement**

- 14.1 Not applicable.

**15. Other Impact of the Proposals**

- 15.1 No specific impacts.

**16. Appendices**

- 16.1 Not applicable.

**17. Background Papers**

- 17.1 Not applicable.

**18. Contact Officers**

- 18.1 Sheena Ramsey

**19. Sign off**

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

## **20. Glossary**

North East Joint Transport Committee – the formal decision making body in terms of transport strategy, covering both the NECA and North of Tyne areas.

# **NORTH EAST JOINT TRANSPORT COMMITTEE**

To: All Members of the Joint Transport Committee and Gateshead Council  
LA7 Leaders and Elected Mayor

Civic Centre  
Regent Street  
Gateshead  
NE8 1HH

19 August 2021

Dear Colleague

## **Bus Partnership update**

I am writing to update you on the next steps in developing a Bus Partnership for the North East, and to ask for your assistance both in leading your Council's input into the work, and in ensuring that your Cabinet Members have access to appropriate briefings.

Firstly I would like to thank you for the financial support that your Council has provided to allow a project team to be established swiftly, and for your active participation at the Joint Transport Committee that unanimously agreed to develop a bus partnership with operators.

The Covid-19 pandemic has put our public transport services and our transport objectives at risk. Ridership levels – and therefore income from fares – are way below pre-pandemic levels. Central government support has kept the buses and the Metro running until now because of their role as an essential service, but the government has been clear that this support will cease at the end of this financial year. We do not expect ridership to recover quickly enough to make services viable without further financial support, and we therefore need to act in order to preserve services.

The bus network has always been essential in the North East. Before the Covid-19 pandemic there were over 160m bus journeys each year in our region. Almost a third of our households have no access to a car, and for many people in one-car households the bus is their lifeline to get to work, education, health and social inclusion.

The North East Transport Plan that we approved earlier this year set out our shared transport objectives of: achieving carbon neutrality; overcoming inequality and growing our economy; improving public health; and offering appealing sustainable transport choices through a safe and secure network.

Throughout this year we have talked about the need for a new approach to buses. If we are to deliver on our ambitions to move towards net zero carbon emissions, to clean up the air we breathe, and to make sustainable travel an affordable and realistic choice for everyone, we need to change the way that buses work for our communities. We also need to change the way that we work with the bus industry.

In July the Joint Transport Committee agreed a Vision for Buses setting out our ambition for:

- An enhanced network that is simple and easy to understand;
- Faster and more reliable journey times;

- A simple and flexible fares structure;
- Better integration between modes;
- More early morning and evening services;
- Clear and consistent information that is easy to access;
- Improved safety and security;
- Cleaner and greener vehicles
- Improved connectivity beyond our boundaries;
- A first-class customer experience.

In July we also agreed to work with local bus operators through an Enhanced Partnership which will allow us to bid into a £3bn government fund. Members unanimously supported the proposal to draw up a strong proposal which will be in a document known as a Bus Service Improvement Plan (“BSIP”). The government fund is tied to a new National Bus Strategy published earlier this year, and our BSIP is effectively a bidding document that will need to convince the government that our plans are ambitious, credible, effective and deliverable.

We will of course continue to make the case for adequate government funding for bus services as matter of principle, directly and through the collective bodies like the Local Government Association and the Urban Transport Group. However, the government has been very clear that emergency Covid-19 funding support for buses will cease at the end of this financial year, and it seems increasingly likely that the only route to securing new funding for buses will be through grants awarded through the BSIP process.

It is therefore of the utmost importance that we present the strongest possible BSIP and secure the biggest possible share of the £3bn that we can. The funding will support not only our ambitions for a better bus system, but it will also be needed to provide essential relief as the bus network continues its recovery from the effects of the pandemic. The alternative we face is almost certain wide-spread cuts to services that will damage our communities.

To develop a strong BSIP that will truly make a difference to how buses operate we will need the leadership and support of you and your Cabinet colleagues, along with officers responsible for local highways and transport.

Extensive priority will need to be given to buses on our area’s roads, particularly on the approaches to centres of population, in order to speed up bus journeys and make them more reliable. This will see the introduction of more bus lanes and more bus-only roads and access gates across the region.

Road junctions at key points on the bus network will prioritise buses both in their physical design and in how traffic signals are phased. We will need to critically appraise parking charges and policies to make sure that buses are a competitive and attractive way to travel for both work and leisure. We will also need to make sure that parked cars do not prevent people from boarding buses or make it difficult for buses to pass through narrow roads in villages and estates.

The bus operators will of course have to make very significant improvements of their own as part of the package. They will need to make fares both affordable and integrated; buses will need to be of the highest standard in appearance, comfort, and environmental performance; and timetables will need to be designed to support communities across the area, rather than focusing on the most profitable routes.

I recognise that such changes will need to be considered very carefully, in consultation with the communities affected and considering the views of, and impact on, all road users. However, it is equally important to stress that without wide-ranging improvements of this nature our BSIP may not attract significant funding and our bus network will shrink as a result.

Officers from Transport North East and the LA7 Councils are working in partnership with bus operators to develop the BSIP. I would encourage everyone with a stake in a successful bus network successful to pro-actively feed ideas into the development of the BSIP.

In September we will review the first draft of our BSIP. I have asked my officers to ensure that, following the Joint Transport Committee briefing, every Council's Cabinet is offered a full briefing on the local implications. I would like to request your assistance in arranging this briefing so that your colleagues can gain a better understanding of what is being proposed and its possible benefits and impacts on the residents in your area.

The North East is already suffering from a car-dominated recovery with traffic levels consistently higher throughout the day than before the pandemic. Our leadership in the coming months will be essential to ensure that this is only a short-term effect and that public transport is able to play its full part in supporting a green economic recovery for the North East.

There are, unfortunately, no other avenues open to us at present if we want to secure funding to support and grow the bus network. Franchising is a possible long-term option which we will keep under review, but it is a very complex and lengthy process even for those Combined Authorities which have the legal powers to introduce a scheme themselves – and we do not. In any case bus-friendly highway and parking policies such as those I highlight above will still be necessary for the bus network to be successful, regardless of the system of governance.

If you would like to discuss this letter in person, I would be delighted to speak to you about it. I will also ask officers to make contact with your office to arrange a briefing of Cabinet Members as discussed above.

Yours sincerely

**Councillor Martin Gannon**  
**Chair of the North East Joint Transport Committee**  
Copied to: Transport Strategy Board



## Leadership Board

**Date:** 29 November 2022

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

**Report of:** Finance, Skills & Employability Thematic Lead

### 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.

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 limited scope to undertake Employment & Skills activity through the UK Shared Prosperity fund until 2024/25.

### Recommendations

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

#### 1. Background Information

- 1.1 Further to the agreed portfolio leads and the update provided to the Leadership Board in October, 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 It is vital that the functions that NECA oversees as accountable body are properly resourced. The spending review announcements in October 2021 and the Finance Settlement that followed in December 2021 set out the resources that are available for local government for 2022/23.

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- 2.2 As part of the Comprehensive Spending Review announcements in October 2021, it was announced that there would be a real-terms increase in local government funding. The actual core spending power increases are dependent on councils increasing council tax by 2.99% per annum over the next three years – a 1.99% referendum limit increase and a further 1% Adult Social Care Precept – with actual spending power influenced by the tax base position and council tax raising capacity of individual authorities.
- 2.3 The Chancellor, Jeremy Hunt, will announce his autumn statement on 17 November, which is widely anticipated to include both tax increases and public spending cuts. This may have an impact on the local government finance settlement for 2023/24 which will follow.
- 2.4 Initial proposals for the 2023/24 budget were presented to the Leadership Board at the last meeting in October and are updated in another paper elsewhere on this agenda.
- 2.6 Pressures in relation to transport budgets, particularly on the Tyne and Wear transport levy, have worsened in recent months as energy price inflation has risen above the levels previously assumed and this has had a hugely detrimental effect on Nexus' budget for high voltage power, the cost of which has more than doubled. There are other pressures relating to contract price inflation, instability in the bus market and employee pay awards. An update on the situation was provided to the JTC along with proposals for 2023/24 budgets at its meeting on 15 November, which will be subject to further consultation before the levies must be agreed in January 2023.

### 3. Skills Theme

- 3.1 **LGA response: DfE consultation - Implementing a New FE Funding and Accountability System**
  - 3.1.1 DfE launched a second stage consultation on implementing a new further education funding and accountability system for adult skills. It is relevant to the adult skills system as a whole, councils' adult and community learning functions and devolved functions. *The full consultation summarises*, with the initial question raised; Do you agree with the proposal to create a national model for funding that devolved areas can use as a basis for shaping and funding local skills provision? [LGA response: DfE consultation - Implementing a New Further Education Funding and Accountability System | Local Government Association](#)

## Leadership Board

- 3.1.2 While the question focuses on devolved areas, it is worth highlighting that all areas across England have unique labour markets including a mix of jobs, unique priority sectors, qualification levels, unemployment, and vacancies so a one size fits all approach is inappropriate. This means adult skills reforms must provide local government – councils and devolved authorities – as well as providers, with maximum flexibility to adapt provision to local need so they are part of a wider joined up employment and skills offer.
- 3.1.3 Local government's added value in getting the skills and jobs offer right locally. This consultation and others (Local Skills Improvement Plans) make only passing reference to the wide-ranging functions that sit within local government and their ability to successfully land and tailor skills policy on the ground into a more coherent local offer for residents, communities, businesses and other employers.
- Planning, commissioning, and delivering adult skills
  - Councils' education and training duties for young people
  - Providing wraparound services for young people and adults with barriers
  - Their 'lead authority' role for growth and skills investment
  - As strategic planners, large employers, commissioners or deliverers of services
  - Reach the entire local employer base
  - Take a holistic view on employment, training, skills, and economic growth
- 3.1.4 The LGA believe that DfE has a critical role in develop adult skills through the following ways:
- a) Develop an adult skills / lifelong learning strategy which joins up national policy and funding. Ageing populations, high vacancy rates, new technologies (digital, green, automation) changing our jobs market, supporting refugees, addressing pressures in health and social care, and increasingly moving services online are just some of the reasons why continual improvement in adult skills is essential to helping people be part of a skilled and productive workforce and lead independent and fulfilled lives, but much of this sits with other parts of Whitehall. DfE should provide strategic leadership on adult skills, join up policy and funding in its own Department, and other Government departments to develop a coherent policy.
- b) Invest in Level 2 and below. Creating a high skills economy has driven FE reforms and investment (Level 3 skills and above), but more investment is needed in Level 2 and below to support the least qualified be part of skills talent pipeline. Funding must be devolved so local government can target support at those that most require it.

## Leadership Board

c) Co-design with devolved commissioners a light touch, permissive adult skills / lifelong learning framework allowing for maximum local flexibility. This could cover over-arching principles, broad objectives and outcome measures, minimum standards, and a 'what good looks like' tool for procuring and managing provision.

d) Adopt a 'local-first' approach to new or repurposed skills activity. Devolution and a 'local first' approach should be the default position for new programmes and initiatives, with the aim of taking more decisions locally and freeing up departments to tackle national issues. For instance, the way DfE worked with councils and devolved authorities to plan and deliver the Multiply adult numeracy programme is a step in the right direction.

e) Prepare for full devolution now by empowering non-devolved councils with a 'Community Skills Lead' to plans the adult skills offer for Level 2 and below. In non-devolved areas, no single authority has a strategic role to plan adult education at Level 2 and below, yet councils already plan and deliver Adult Community Learning and Multiply and are democratically elected. A 'Community Skills Lead' role would allow for 1) a coordinated local offer in non-devolved areas now, 2) smooth devolution transition for councils, DfE/ESFA, and 3) support Employer Representative Bodies (ERB) to develop adult skills pathways within Local Skills Improvement Plans (LSIPs).

f) Play its part in improving the employment and skills offer for all areas. Analysis reveals £20 billion is spent on a complicated mix of 49 national employment and skills-related schemes or services across England, managed by multiple Whitehall departments and agencies, delivered over different boundaries by various providers. While well-intended, they are disconnected, short-term with no single organisation coordinating the system overall nationally or locally, so it is hard to join up provision for learners, unemployed people, career changers and employers.

3.1.5 The LGA's Work Local is a blueprint for moving towards an integrated and devolved employment and skills service for all places and could act as a delivery mechanism to help ERBs deliver LSIP priorities. It will give democratically elected local leaders the power and funding to work with partners to join up careers advice, employment, skills, apprenticeships, and business support provision for their areas, with local and national accountability for outcomes.

The underpinning principles are:

- A 'one stop' place-based service

## Leadership Board

- Clear and responsive local leadership
- That is driven by local opportunities and needs
- Within a common national framework for devolving strategy, financing and delivery of employment and skills
- Underpinned by Devolved Employment and Skills Agreements to cover outcomes and funding envelope
- Delivering better outcomes at lower cost.

3.1.6 A cost benefit analysis reveals it could increase by 15 per cent the number of people improving their skills or finding work by using investment more effectively - adult skills, contracted employment support and UKSPF, apprenticeships and 16-19 funding. Careers advice and JCP employment support should be part of this, however there is limited public information about their budgets.

To make this happen and improve the system for all areas, local and national government need a new partnership – a Work Local Board – that would:

- get the basics right everywhere so all places can join up the offer more effectively. The LGA's prospectus for change sets out what changes are needed.
- empower local leaders and agree a framework for employment and skills devolution
- implement Work Local and roll out more place partnerships sooner than 2030.

## 4. Employment Theme

### 4.1 Employment boost for people receiving mental health support

4.1.1 £122 million is being invested to roll out a vital NHS England service, providing those who receive mental health support with employment advice to help them stay in work or return to the job market quicker, with the right support in place.

4.1.2 The service brings therapists and employment advisers together to help people with common mental health problems such as stress, anxiety and depression find work tailored to them. With strong evidence that being in work improves mental health, supporting more people into work will not only fuel a thriving labour market, but also increase individual prosperity and continued

## Leadership Board

support will be made available to help individuals focus on and progress in their careers will in turn help grow the economy.

- 4.1.3 Referral to Improved Access to Psychological Therapies (IAPT), often referred to as 'NHS talking therapies' services, can be through a GP, healthcare professional, or through self-referral. The use of IAPT services, taking part in psychological treatment, and employment support is purely voluntary. NHS England Therapists and employment advisers already work together in 40% of the country. Over the three-year spending review period, the service will be extended nationally with recruitment and training of around 700 employment advisers so that up to 100,000 people can receive the combined offer each year from 2024 to 2025, accessing the support to start, stay and succeed in work.

### 4.2 **£6.4 million boost for employers to support disabled people**

- 4.2.1 Thousands of businesses across the UK will benefit from a new £6.4 million online service to help employers better support disabled people and those with health conditions in the workplace. The early test version of the Support with Employee Health and Disability service provides essential information about supporting and managing employees with disabilities or health conditions at work.
- 4.2.2 Any employer can access the service, which provides free advice on how to manage staff who may be in or out of work with a disability or long-term health condition in a user-friendly online Q&A format.
- 4.2.3 The service is aimed at smaller businesses, many of which do not have in-house HR support or access to an occupational health service and will help them to build more diverse and inclusive workforces. The new service also covers potential changes an employer could make to help them return to and stay in work, supporting a government drive to boost numbers of people in employment and ensuring everyone has the opportunity to benefit from being in work.
- 4.2.4 The site is currently in test mode, with businesses and disability groups invited to have their say through a short online survey, to help shape the future of the service. The site will be constantly updated and improved over the next three years, informed by feedback given from the survey
- 4.2.5 The service has been designed to give employers easy access to the advice they need to create the best environments for their staff with disabilities or

## Leadership Board

long-term health issues, so that anyone from any background can start, stay and succeed in work. Once fully developed, the service will also help employers understand their legal obligations, including how to make adjustments for disabled people and those with health conditions.

- 4.2.6 Over the next three years, the government will invest £1.3 billion in employment support for disabled people and people with health conditions. This money will go towards building up existing provision, including expanding employment support, to grow the economy and help people with the cost of living.

### 4.3 IES Briefing – Labour Market Statistics, October 2022

- 4.3.1 Nationally, unemployment has continued its downward trend, falling by 0.3 percentage points on the quarter to 3.5%. However, employment is also down by the same amount, to 75.5%, while economic inactivity has risen significantly to 21.7%. Apart from the rise in economic inactivity during the first lockdown, this is the largest quarterly increase since comparable records began in 1971.
- 4.3.2 Higher economic inactivity continues to be driven particularly by fewer older people in work – who account for three quarters of the total rise – and by more people out of work due to long-term health conditions, which has again seen a record quarterly rise and reached its highest level in at least thirty years (at 2.49 million). However economic inactivity due to caring for family and home is also rising after three decades of sustained falls, which may well reflect more parents (and particularly single parents) struggling to find or stay in work; while student numbers are rising again, and the number of people citing early retirement has also edged up. So overall the labour force is contracting in many different ways and is now half a million smaller than it was before the pandemic.
- 4.3.3 This is happening in spite of (and is likely contributing to) continued very high vacancies – which remain above 1.2 million. There simply are not enough workers for the jobs available. This is likely contributing to very strong nominal pay growth, which is now running at 6.4% in the private sector but at just 2.4% in the public sector, which is in turn is likely to be contributing to rising prices – with services inflation and core inflation (which excludes energy and food costs) both now running at around 6%. Overall, this high nominal pay growth is still below the (even higher) rate of inflation, so real pay continues to fall (by 2.8% year-on-year in today's figures).



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- 4.3.4 There are some signs that demand may be starting to weaken in the private sector, with vacancies falling slightly from their peaks in a number of industries. However, vacancies are continuing to grow in the public sector – likely in part reflecting more people leaving public sector jobs for better paid work in the private sector, as well as continued struggles to recruit new staff in a highly competitive labour market.
- 4.3.5 Overall these are worrying figures and an inauspicious backdrop against which to be looking for tens of billions of pounds of cuts to public spending. Perhaps the best (but least likely) course that the government could take would be not to make those cuts and instead delay its tax plans. Failing that though, it could be argued that there are now four key priorities for the Chancellor's statement at the end of this month: to extend the Restart Scheme, which is due to underspend by around £1.2 billion; to do far more to improve access to specialist health and work related support; to ensure a decent settlement on public sector pay and reform; and to increase investment in skills and training, particularly for those out of work.
- 4.3.6 The current labour market analysis provides context for the current employment support programmes and business support activities. It is also significant in terms of shaping the offer for employment services under UKSPF. Work will also continue with employers particularly in understanding their workforces and local labour markets, broadening and simplifying recruitment, making work more flexible and secure, and improving access to workplace training and support.

## 5. Next Steps and Timetable for Implementation

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

## 6. Potential Impact on Objectives

- 6.1 This report is for information only.

## 7. Financial and Other Resources Implications

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

## 8. Legal Implications

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



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### 9. Key Risks

9.1 This report is for information.

### 10. Equality and Diversity

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

### 11. Crime and Disorder

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

### 12. Consultation/Engagement

12.1 Economic Directors have been fully consulted on the contents of this paper

### 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 Thematic Portfolio Update January 2021

### 16. Contact Officers

16.1 Amy Harhoff, Corporate Director Regeneration Economy & Growth,

[Amy.Harhoff@durham.gov.uk](mailto:Amy.Harhoff@durham.gov.uk) Tel: 03000 267330

### 17. Sign off

17.1

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

### 18. Glossary

18.1	ACL	Adult Community Learning
	AEB	Adult Education Budget
	AELP	Association for Employment & Learning Providers

## Leadership Board

DfT	Department for Transport
DWP	Department for Work and Pensions
ERB	Employer Representative Bodies
ESFA	Education and Skills Funding Agency
LGA	Local Government Association
LRTRG	Light Rail and Tram Recovery Grant
LSE	Local Supported Employment
LSIP	Local Skills Improvement Plans
LTF	Local Transport Fund
MCA	Mayoral Combined Authority
NEET	Not in Education, Employment or Training
SEND	Special Education Needs & Disability
UKSPF	UK Shared Prosperity Fund

## Leadership Board

**Date:** 29 November 2022

**Subject:** Treasury Management Mid-Year Update

**Report of:** Chief Finance Officer

### Executive Summary

This report provides a summary of NECA's treasury position, borrowing activity, investment activity, treasury management and prudential indicators.

NECA held £169.667m in borrowing and had £124.500m cash balances invested at 30 September 2022. During the half year period, borrowing of £0.333m was repaid on equal instalment of principal (EIP) loans, and no new additional borrowing was taken out.

All investments have been undertaken in line with both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and government guidance which requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

During the half year period to 30 September 2022, NECA has complied with Treasury Management Indicators relating to interest rate exposure, maturity structure of borrowing and sums invested for more than one year. NECA has also complied with Prudential Code Indicators which relate to the capital programme and how much the Authority can afford to borrow.

### Recommendations

The Leadership Board is recommended to note the report.

## Leadership Board

### 1. Background Information

- 1.1 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'.
- 1.2 NECA 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 a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.
- 1.3 The second main function of the treasury management service (provided for NECA by Durham County Council under a service level agreement) is to arrange the funding of the Authority's capital programme. 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.
- 1.4 NECA adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of its capital expenditure plans and its Prudential Indicators (PIs).
- 1.5 This mid-year report provides a summary of the following:
  - a) Summary treasury position;
  - b) Borrowing activity;
  - c) Investment activity;
  - d) Treasury management indicators;
  - e) Prudential code indicators.

### 2. Proposals

#### Summary Treasury Position

- 2.1 NECA'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.
- 2.2 At the beginning and mid-year point of 2022/23, NECA's treasury position was as follows:

## Leadership Board

	1 April 2022	Rate / Return	Average Life	30 Sept 2022	Rate / Return	Average Life
	£m	%	Years	£m	%	Years
<b>Total Debt</b>	170.000	4.24	38.9	169.667	4.25	38.4
<b>Total Investments</b>	100.000	0.39	0.71	124.500	1.71	0.41
<b>Net Debt</b>	<b>70.000</b>			<b>45.167</b>		

- 2.3 As at 30 September 2022, NECA had £169.667m of borrowing and £124.500m of cash balances invested. The main factor in the increase in cash balances over the period has been the front-loading of Government grants.

### Borrowing Activity

- 2.4 At 30 September 2022, NECA held £169.667m of loans, a decrease of £0.333m from the start of the year. The mid-year borrowing position and the change since the start of the year is shown in the following table.

	1 April 2022	Rate / Return	Average Life	30 Sept 2022	Rate / Return	Average Life
	£m	%	Years	£m	%	Years
<b>Public Works Loan Board</b>	81.000	4.09	23.6	80.667	4.09	23.1
<b>Private Sector</b>	89.000	4.39	49.1	89.000	4.39	48.6
<b>Total Borrowing</b>	<b>170.000</b>			<b>169.667</b>		

- 2.5 The only movement during the year was the repayment of £0.333m on an EIP loan, with no new borrowing taken out during the period.
- 2.6 NECA continues to temporarily invest cash balances, representing monies received in advance of expenditure plus balances and reserves held. During the half-year to 30 September 2022, investment balances ranged between £100m and £124.500m.

## Leadership Board

- 2.7 As at 30 September 2022, NECA held balances and investments totalling £124.500m. The following table provides a breakdown of these investments split by the type of financial institution and maturity period:

Financial Institution	0-3 months	3-6 months	6-12 months	Total
	£m	£m	£m	£m
Banks	67.000	20.000	15.000	102.000
Building Societies	0.000	0.000	10.000	10.000
Other Local Authorities	0.000	0.000	0.000	0.000
Money Market Funds	12.500	0.000	0.000	12.500
<b>Total</b>	<b>79.500</b>	<b>20.000</b>	<b>25.000</b>	<b>124.500</b>
% of Total	64%	16%	20%	100%

- 2.8 NECA's investment policy is governed by Department of Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by the Leadership Board on 1 February 2022. Both the CIPFA Code and government guidance require NECA to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. NECA'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.

### Treasury Management Indicators

- 2.9 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.
- 2.10 **Interest Rate Exposures:** This indicator is set to control NECA'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 was:

## Leadership Board

	30 Sept 2022 Actual	30 Sept 2022 Actual	2022/23 Limit	Complied
Upper limit on fixed interest rate exposure	£169.667m	100%	100%	✓
Upper limit on variable interest rate exposure	£0.000m	0%	70%	✓

- 2.11 **Maturity Structure of Borrowing:** This indicator is set to control NECA's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	Lower Limit	Upper Limit	30 Sept 2022 Actual	Complied
Under 12 months	0%	20%	£0.667m	✓
12 months to 2 years	0%	40%	£0.667m	✓
2 years to 5 years	0%	60%	£1.333m	✓
5 years to 10 years	0%	80%	£5.000m	✓
10 years and above	0%	100%	£162.000m	✓

- 2.12 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control NECA's exposure to the risk of incurring losses by seeking early repayment for its investments:

	Limit	At 31 March 2022	Complied
Actual principal invested beyond one year	£75.000m	£0.000m	✓

## Leadership Board

### Prudential Code Indicators

- 2.13 The Local Government Act 2003 requires NECA to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
- 2.14 The objective of the Prudential Code is 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.
- 2.15 **Capital Expenditure:** The table below summarises planned capital expenditure and financing when the 2022/23 budget was set in February 2022 (relating to the Joint Transport Committee, in NECA's role as Accountable Body), and compares it to the estimated full year outturn position at 30 September:

	2022/23 Original Estimate	2022/23 Estimate at 30 Sept 2022	Difference
	£m	£m	£m
<b>Capital Programme</b>	279.774	273.600	(6.174)
Financed by:			
Capital Grants	269.728	270.890	1.162
Revenue and Reserves	10.046	2.710	(7.336)
<b>Net borrowing financing need for the year</b>	279.774	273.600	(6.174)

- 2.16 **Actual Debt:** NECA's actual debt at 30 September 2022 is as follows:

	1 April 2022 Actual	30 Sept 2022 Actual	Difference
	£m	£m	£m
Borrowing	170.000	169.667	(0.333)



## Leadership Board

- 2.17 **Operational Boundary:** This is the limit beyond which external borrowing is not normally expected to exceed. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2022/23 Original Estimate	30 Sept 2022 Actual	Complied
	£m	£m	£m
Borrowing	205.000	169.667	✓

- 2.18 **Authorised Limit for external borrowing:** This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

	2022/23 Original Estimate	30 Sept 2022 Actual	Complied
	£m	£m	£m
Borrowing	210.000	169.667	✓

### 3. Reasons for the Proposals

- 3.1 It is a requirement of NECA's Treasury Management Strategy to present a mid-year update to Members, and this report fulfils that requirement.

### 4. Alternative Options Available

- 4.1 This report is for information. No alternative options are considered necessary.

### 5. Next Steps and Timetable for Implementation

- 5.1 The Treasury Management Strategy for 2023/24 and future years will be presented to the Leadership Board for approval along with the budget at its meeting on 24 January 2023.

### 6. Potential Impact on Objectives

- 6.1 There are no impacts on objectives arising from this report which is for information.

### 7. Financial and Other Resources Implications

## Leadership Board

- 7.1 The report details NECA's cash management, loans and investment activity during 2022/23 in the first half of the year to 30 September 2022. The report also provides the overall financing of NECA's capital expenditure along with borrowing and investment income returns.

### 8. Legal Implications

- 8.1 There are no legal implications arising from this report which is for information. NECA must have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities when determining how much money it can afford to borrow, as required by the Local Government Act 2003.

### 9. Key Risks

- 9.1 Both the CIPFA Code and government guidance require NECA to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. NECA'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.

### 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 There are no consultation requirements arising from this report.

### 13. Other Impact of the Proposals

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

### 14. Appendices

- 14.1 None

### 15. Background Papers

- 15.1 NECA Treasury Management Strategy – Leadership Board 1 February 2022  
[Agenda-Pack-1-February-20221.pdf \(northeastca.gov.uk\)](https://www.northeastca.gov.uk/agenda-pack-1-february-20221.pdf)

## Leadership Board

### 16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,  
[Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 433 3860

### 17. Sign Off

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



## Leadership Board

**Date:** 29 November 2022

**Subject:** NECA Budget 2023/24

**Report of:** Chief Finance Officer

### Executive Summary

This report sets out budget proposals for 2023/24 for consultation, and indicative estimates of the period 2024/25-2025/26, along with an updated forecast of outturn for 2022/23. The budget proposals will be subject to further consultation with the Overview and Scrutiny Committee and presented to the Leadership Board at its meeting in January 2023 for approval.

In line with the estimates presented to the Leadership Board at its last meeting, the forecast for the 2022/23 financial year is for a small deficit of approximately £2,600, largely in line with the original budget for the year. Interest income on short term investments is forecast to be higher than the original budget for the year which offsets additional costs on Service Level Agreements for the provision of support to NECA which are forecast to be higher than the original budget.

The report highlights that budget proposals for 2023/24 are in line with the forecasts set out as part of the Medium-Term Financial Strategy (MTFS) presented to the Leadership Board in February 2022.

Contributions to the NECA Corporate Budget and the NECA Budget for fulfilment of the North East Joint Transport Committee (JTC) Accountable Body role will be maintained at the current levels of £25,000 and £10,000 respectively for 2023/24, although these will be subject to review for 2024/25 onwards.

### Recommendations

The Leadership Board is recommended to:

- i. Receive this report for consideration;
- ii. Note the updated forecast of outturn for 2022/23;
- iii. Agree the following proposals that are set out for the basis of consultation on the 2023/24 NECA Revenue budget:
  - a. That contributions to the NECA Corporate budget from NECA constituent authorities be maintained at the current level of £25,000 per council (total £100,000);

## **Leadership Board**

- b. That contributions to the JTC Accountable Body role from JTC Constituent authorities be maintained at the current level of £10,000 per council (total £70,000).

## Leadership Board

### 1. Background Information

- 1.1 A report was presented to the Leadership Board in October setting out the draft proposals for 2023/24 and future years and the updated forecast of outturn for the current financial year, 2022/23.
- 1.2 In line with the budget-setting timetable agreed by the Leadership Board in July 2022, this report sets out budget proposals for the NECA Corporate budget and the Accountable Body budget for the provision of this role for the North East Joint Transport Committee (JTC). The draft proposals have been revised for new information since the last report and this report now presents the proposals which will be subject to consultation in line with the NECA constitution.

### 2. Proposals

#### 2022/23 Forecast of Outturn

- 2.1 The NECA budget for corporate costs is required to support operational costs including staff employed by NECA, Service Level Agreements (SLAs), independent members allowances and expenses, and supplies and services costs. The report to the Leadership Board on 1 February 2022 set a net NECA Corporate budget for 2022/23 of £212,390 which provided for NECA corporate capacity and to fulfil the JTC Accountable Body role. This is funded from contributions from NECA constituent authorities totalling £100,000 (£25,000 per authority), contributions from JTC constituent authorities totalling £70,000 (£10,000 per authority) and interest income on short term investments. The budget was revised in July to account for expenditure in relation to the North East Screen Industries Partnership (NESIP) region-wide development programme. Income for this expenditure is recovered from the four constituent local authorities so the impact on NECA's net budget is nil.
- 2.2 Interest rates have increased significantly during the year from historically low levels of 0.1% to the current Bank of England base rate of 3%. This has had a positive impact on the level of interest the authority has been able to achieve on its investments, part of which contributes to the budgets in this report.
- 2.3 Accordingly, the forecast for investment income receivable in 2022/23 is forecast to be in excess of the budget set for the year in February 2022. This offsets increased costs in relation to Service Level Agreements (SLAs) and supplies and services.
- 2.4 Staffing costs have been updated to reflect changes to the rates of National Insurance from November 2022 following the mini-budget in September 2022.
- 2.5 The forecast has been updated on the most recent information and is set out in the table below.

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	NECA Corporate		JTC Accountable Body	
	2022/23 Original Budget	2022/23 Forecast	2022/23 Original Budget	2022/23 Forecast
Employees	54,510	51,030	13,340	13,589
Service Level Agreements	54,060	69,770	76,330	77,670
Independent Members Allowances and expenses	6,500	6,100	0	0
Supplies and Services	7,560	10,674	0	0
NESIP	0	633,924	0	0
<b>Total Expenditure</b>	<b>122,630</b>	<b>771,498</b>	<b>89,670</b>	<b>91,259</b>
NECA Corporate Contributions	(100,000)	(100,000)	0	0
JTC Accountable Body Contributions	0	0	(70,000)	(70,000)
Interest Income	(20,000)	(35,000)	(19,000)	(21,000)
NESIP	0	(633,924)	0	0
<b>Total Income</b>	<b>(120,000)</b>	<b>(768,924)</b>	<b>(89,000)</b>	<b>(91,000)</b>
<b>Net deficit to fund from reserves</b>	<b>2,630</b>	<b>2,574</b>	<b>670</b>	<b>259</b>

### Budget Proposals 2023/24 and Estimates for 2024/25 and 2025/26

- 2.6 Appendix 1 sets out the proposed budget for 2023/24, along with Medium Term Financial Strategy estimates for 2024/25 and 2025/26. The constituent authorities contributions to the NECA Corporate Budget and to the NECA budget for fulfilment of the JTC Accountable Body role are included at the current levels of £25,000 and £10,000 respectively for 2023/24, however these will need to be subject to review for 2024/25 onwards and is dependent upon investment income being maintained at the rates achieved in 2022/23 and balances held being at a sufficient level.
- 2.7 The proposals set out for consultation are largely in line with draft proposals reported to the Leadership Board in October but have been updated for the latest available information. Since the last report, the mini budget confirmed that the 1.25% increase in National Insurance payable by employees and employers would be reversed with effect from November 2022.
- 2.8 In October, a press release from Public Sector Audit Appointments (PSAA) announced the outcome of its procurement of audit services for the next appointing period spanning the audits from 2023/24 to 2027/28. Contracts have now been awarded for 99.5% of the audit work which was bid for. However, the bid prices



## Leadership Board

received by PSAA reflected a significant increase compared to the previous procurement in 2017, as a result of major challenges in the local audit sector in the intervening period. Therefore PSAA have advised bodies to anticipate a major re-set of total fees for 2023/24, involving and increase in the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required. NECA and JTC budgets have been updated to anticipate an increase in audit fees of approximately £30k from 2023/24 onwards. PSAA have raised with the Department for Levelling Up, Housing and Communities (DLUHC) their concern that this likely increase in audit fees will pose a significant challenge to local bodies already facing a range of financial pressures.

### Reserves

- 2.9 The NECA Corporate Reserve was £0.419m at 1 April 2022. After funding the small deficit forecast for 2022/23, this reserve is forecast to be £0.416m at 31 March 2023. Based on current budgets, this is considered a prudent level of reserves to hold to mitigate against unforeseen costs which may arise specifically in relation to this area of the budget.
- 2.10 Separate reserves are held for Transport activity (including Nexus and the Tyne Tunnels), and decisions on these reserves will be taken by the JTC as part of its own budget considerations.

### 3. Reasons for the Proposals

- 3.1 This report sets out budget proposals for 2023/24 for the NECA Corporate budget, including fulfilment of its Accountable Body role for the JTC.
- 3.2 The report identifies that NECA Corporate contributions will be maintained at £25,000 per authority and contributions to the JTC Accountable Body role will be maintained at £10,000 per authority in 2023/24 and will be reviewed for 2024/25.

### 4. Alternative Options Available

- 4.1 The Leadership Board is recommended to agree to the proposals set out being taken forward for consultation and, taking into account comments raised as part of the consultation, presented to the Leadership Board for agreement in January 2023.  
Alternatively, the Leadership Board may put forward alternative proposals to be consulted upon.

### 5. Next Steps and Timetable for Implementation

- 5.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The proposals will be subject to consultation with the Leadership Board, Overview and Scrutiny Committee and officer groups. The results of the consultation will be taken into account in the preparation of

## Leadership Board

the final budget proposals presented to the Leadership Board for agreement at its meeting in January 2023.

### 6. Potential Impact on Objectives

- 6.1 The budget and medium-term financial strategy 2023/24 to 2025/26 has been and will continue to be prepared to reflect the objectives of the Authority and feedback from constituent authorities. Future reports will set out the revenue and capital budget proposals in detail for agreement that will help deliver the objectives of the Authority.

### 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 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 There are no consultation requirements arising from this report.

### 13. Other Impact of the Proposals

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

### 14. Appendices

- 14.1 Appendix 1 – NECA Corporate and JTC Accountable Body Budget estimates 2023/24-2025/26

## Leadership Board

### 15. Background Papers

15.1 NECA Constitution

### 16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,  
[Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 433 3860

### 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 2023/24-2025/26

	2023/24 Proposed Budget			2024/25 Draft Budget			2025/26 Draft Budget		
	NECA Corporate	JTC Accountable Body	Total	NECA Corporate	JTC Accountable Body	Total	NECA Corporate	JTC Accountable Body	Total
<b>Expenditure</b>									
Employees	54,550	15,220	<b>69,770</b>	56,730	15,830	<b>72,560</b>	59,000	16,460	<b>75,460</b>
Service Level Agreements	55,400	77,670	<b>133,070</b>	57,060	80,000	<b>137,060</b>	58,770	82,400	<b>141,170</b>
Independent Members Allowances	6,500	0	<b>6,500</b>	6,500	0	<b>6,500</b>	6,500	0	<b>6,500</b>
Supplies and Services									
NESIP	642,610	0	<b>642,610</b>	821,430	0	<b>821,430</b>	820,390	0	<b>820,390</b>
<b>Total Expenditure</b>	<b>781,020</b>	<b>92,890</b>	<b>873,910</b>	<b>964,120</b>	<b>95,830</b>	<b>1,059,950</b>	<b>967,510</b>	<b>98,860</b>	<b>1,066,370</b>
<b>Income</b>									
NECA Corporate Contributions	(100,000)	0	<b>(100,000)</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	(70,000)	<b>(70,000)</b>	0	(70,000)	<b>(70,000)</b>
NESIP	(642,610)	0	<b>(642,610)</b>	(821,430)	0	<b>(821,430)</b>	(820,390)	0	<b>(820,390)</b>
Interest Income	(38,410)	(22,890)	<b>(61,300)</b>	(42,690)	(25,830)	<b>(68,520)</b>	(47,120)	(28,860)	<b>(75,980)</b>
<b>Total Income</b>	<b>(777,610)</b>	<b>(90,000)</b>	<b>(867,610)</b>	<b>(961,430)</b>	<b>(95,000)</b>	<b>(1,056,430)</b>	<b>(960,390)</b>	<b>(98,000)</b>	<b>(1,058,390)</b>
<b>Net (to)/from Corporate Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **NECA Leadership Board**

**Date:** 29 November 2022  
**Subject:** Statement of Accounts 2021/22  
**Report of:** Chief Finance Officer

# Report to follow

# Report to follow

## **NECA Leadership Board**

**Date:** 29 November 2022  
**Subject:** Audit Completion Report 2021/22  
**Report of:** External Auditor

# Report to follow

# Report to follow