

North East Combined Authority

Leadership Board

15 November 2016

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

Present:

Councillor: P Watson (Chair)

Councillors M Gannon, S Henig, I Malcolm and J McCarty, Mayor N Redfearn and Mr A Hodgson

66 **APOLOGIES FOR ABSENCE (MEMBERS)**

Councillors G Davey and N Forbes.

67 **DECLARATIONS OF INTEREST**

None.

68 **MINUTES OF THE PREVIOUS MEETING HELD ON 20 SEPTEMBER 2016**

The minutes of the previous meeting held on 20 September 2016 were approved as a correct record and signed by the Chair.

69 **MINUTES OF THE EXTRAORDINARY MEETING HELD ON 6 SEPTEMBER 2016**

The minutes of the extraordinary meeting held on 6 September 2016 were approved as a correct record and signed by the Chair.

70 **TREASURY MANAGEMENT MID-YEAR UPDATE**

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

Members considered the report which set out a summary of the treasury management activity in the first six months of 2016/17, provided information on the updated prudential indicators and sought agreement to the proposed changes to the method for calculating Minimum Revenue Provision (MRP).

RESOLVED – That:

- i. the investment criteria and limits set out in section 2.10 be noted;
- ii. the updated 2016/17 prudential indicators set out in section 2.11 be noted;
- iii. the proposed changes to the method for calculating MRP set out in section 3 be used for the preparation of the 2017/18 budget and MRP Statement.

71 **NORTH EAST COMBINED AUTHORITY 2016/17 FINANCIAL UPDATE**

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

Members considered the report which provided an update of the 2016/17 Capital Programme and Revenue Budget for the NECA Leadership Board and sought agreement to related recommendations.

RESOLVED – That:

- i. the report be noted;
- ii. the revised capital programme for the year, estimated to be £148m, as set out in section 4 and the appendices 1 and 2, be approved;
- iii. the approach to maximising the use of the Local Growth Fund grant this year, set out in section 4.2.3 of the report, subject to the approval of the North East Local Enterprise Partnership be noted;
- iv. the Leadership Board noted that revenue expenditure for the year was expected to be £118.3m within the £119m revenue budget set out in the July update report in overall terms;
- v. the proposal to fund devolution costs of £0.474m from savings in transport budgets for 2016/17 be agreed; and
- vi. the Leadership Board noted that the third Financial Update for the year would be reported to the NECA Leaders Board meeting in January 2017.

72 **NORTH EAST COMBINED AUTHORITY BUDGET 2017/18**

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

Members considered the consultation report which set out the key budget issues, principles and proposals that were likely to be included in the 2017/18 Budget Report for the North East Combined Authority (NECA) for consideration by the Leadership Board on 17 January 2017.

In discussion, it was noted that:

- Notwithstanding the fact that not all of the information that was needed to complete the budget was currently available, assurances were offered to NE LEP in respect of their expectation for funding for 2017/18.
- In highlighting the responsibility of NECA to deliver the best budget, the Chair reiterated the importance of a thorough understanding by Members of the detail in the proposed budget.

RESOLVED – That:

- i. the report and Member's comments be noted;
- ii. the budget approach of setting out a detailed revenue budget for 2017/18 as another transitional year, while the future role and responsibilities of NECA

were clarified, be agreed. This would take into account the need to meet the statutory responsibilities of NECA that would continue in 2017/18 as well as the need to achieve savings to help constituent authorities deal with cuts in their funding as part of the Government's continuing austerity measures. Indicative transport budgets would be set out over a three year period, where it was possible to do so;

- iii. the following points and proposals would form the basis of consultation about the NECA 2016/17 Revenue Budget: -
 - a) The Transport Budget for Tyne and Wear was indicatively proposed to be set at £63.04m, which was a further reduction of £2.08m (-3.2%) compared with the budget this year. The cost saving to councils was proposed to be delivered by way of a combination of a repatriation of reserves and a sustainable reduction in the levy. The budget savings needed to deliver this were expected to be made in 2017/18 without any significant impact on transport services, through efficiencies and further temporary use of Nexus reserves. The delivery of further savings in future years was likely to require cuts in services from 2018 and options to achieve sustainable savings and a balanced budget by 2019/20 will be consulted upon during 2017.
 - b) The indicative Transport Budget and Levy for Durham County Council area was expected to be £15.482m, which was a small net increase of £0.042m. No reductions in services were envisaged for 2017/18.
 - c) The indicative Transport Budget and Levy for Northumberland County area was likely to be around £6.286m, which was a reduction of £0.048m on the current year's budget. No reductions in services were envisaged for 2017/18.
 - d) The £250k contribution to fund the North East LEP, which was required to match fund the Government Grant, was proposed to be continued in 2017/18;
 - e) NECA would need to maintain sufficient capacity to meet its statutory requirements. Savings in the Corporate costs were being investigated and discussed with constituent councils and the outcome in terms of the level of corporate contributions (currently £300k was contributed towards a gross corporate budget cost of £550k) would be included in the January Budget report;
 - f) The contribution to the Inward Investment Team were also subject to discussion with constituent councils and the North East LEP. The current contributions of £140k part fund a budget of £505k in 2016/17, with an estimated outturn spend of around £439k. Options were being developed for inclusion in the January budget report.
 - g) Proposals for the uplift in Metro fares to cover inflation cost pressures have been developed to constrain the weighted average increase to 1.4%, which was 0.5% less than the annual increase in the July 2016 RPI inflation index. Detailed proposals had been agreed by the Tyne and Wear Sub-committee at its 3rd November meeting, which included a further freeze in child fares,

with a potential implementation date of 2 January 2017. No increase in the Tyne Tunnel Tolls was proposed for 2017/18.

- h) The North East LEP Budget was being prepared to reflect its responsibilities and the estimated available resources for 2017/18. A draft budget would be considered by the LEP Board later in November and more information would then be included in the January Leadership Board.
- i) NECA would need to set out a balanced budget for 2017/18, maintaining a sufficient but minimal level of reserves to manage risk and would set out a treasury management strategy for borrowing and lending which would comply with the Prudential Code.
- iv. A narrative document be prepared from the contents of this report and the comments and decisions of the Leadership Board, which would set out the budget proposals in an appropriate format for consultation.

73 **UPDATES FROM THEMATIC LEADS**

(a) **Economic Development and Regeneration**

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

Members considered the report which provided an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

The report was introduced by the Thematic Lead who provided an update on the work of the Economic Development and Regeneration Advisory Board to pursue and oversee progress in a number of areas, including a more effective engagement with UKTI and a review of the impact of Brexit.

In discussion, it was noted that it would be of benefit to explore whether the North East Local Enterprise Partnership and the Economic Development and Regeneration Advisory Board could produce a joint message for UKTI.

RESOLVED – That the report be noted.

(b) **Employability and Inclusion**

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

Members considered the report which provided an update on the progress made in delivering the Employability and Inclusion and Skills themes of the Strategic Economic Plan.

RESOLVED – That the report be noted.

(c) Transport

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

Members considered the report which provided an update on key developments within the Transport theme of the Combined Authority.

In discussion, it was noted that:

- With regard to connectivity and the announcement by the government on HS2's route, Members reiterated the importance for the region to be ready with options. The issue of connectivity was critical for the economic development of the region and attracting investment.
- The lack of references to the North East by the government with regard to transport investment programmes such as HS2 was disappointing and projected a wrong message for potential investors.
- A discussion took place about the disproportionate investment in transport in London when compared to the North East and the inability of the region to compete on a level playing field for investment as a result. Comments were made about the enormous potential of the region to prosper and the lack of opportunities to achieve this due to the lack of priority and funding.
- In the light of development of future high speed rail links with Scotland, a Member suggested that a proactive approach should continue to be taken by the region to achieve an agreement with Scotland to ensure priority was given to the links though the east coast rather than the west coast to bring benefits to the region and avoid the risk of a missed opportunity.
- Members also commented on the role and accountability of the Leadership Board with regard to improving connectivity of the region, and the importance of the North East priorities to be supported and promoted by Transport for the North.
- Comments were also made about the equal importance of connecting to Carlisle and Scotland as well as the South.

RESOLVED – That the report be noted.

74 **NHS SUSTAINABILITY AND TRANSFORMATION PLAN PROCESS**

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

Members considered the report which provided an overview of the process to produce a Sustainability and Transformation Plan (STP).

In discussion, it was noted that:

- Members showed a general support for the approach that each constituent local authority should submit comments as part of the programme of engagement.
- Members expressed concern about the top-down and imposing nature of the process which did not provide a real opportunity for the local authorities' effective engagement and influence. Members suggested that this concern and suggestions for improvement should be conveyed to the parties involved.

RESOLVED – That the report be noted.

75 **DATE AND TIME OF NEXT MEETING**

Tuesday, 17 January 2017 at 2pm at North Tyneside Council.

76 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the remainder of the meeting during the consideration of agenda items 12, 13 and 14 (Confidential Minutes of the Previous Meeting held on 20 September 2016; North East Enterprise Zone Update; and Tyne Tunnels - Update) because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.