Leadership Board

Tuesday 17th January, 2017 at 2.00 pm

Meeting to be held in a Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

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SUPPLEMENTAL AGENDA 2

6. Budget 2017/18 and Transport Levies 1 - 10

Budget 2017/18 and Transport Levies Supplementary Report

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@northeastca.gov.uk

To All Members
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EXECUTIVE SUMMARY

This supplementary report appends the North East England Chamber of Commerce letter received as part of the 2017/18 NECA Budget consultation and referred to in Appendix I of the Budget report on the main agenda. This report also includes a draft response for consideration by the Leadership Board.

RECOMMENDATIONS

The Leadership Board are recommended to:

i. Consider and comment on the draft response to the North East Chamber of Commerce in order to prepare a final response.

ii. Delegate authority to the Head of Paid Service in consultation with the Chair of the Leadership Board, the Chief Finance Officer and the Monitoring Officer to respond to the North East England Chamber of Commerce.
1. Background Information

As detailed in the main report, the NECA constitution requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed. The 2017/18 budget proposals were reported to the Leadership Board on 15 November to start a consultation process which included consideration by the Overview and Scrutiny Committee, Governance Committee and the North East Chamber of Commerce.

Following a meeting with the Chair on 13 December 2016, the attached letter (Appendix 1) was received from the North East England Chamber of Commerce. Key points from the letter are summarised in the table in Appendix I of the main report and a draft response (Appendix 2) has been prepared for consideration at the meeting on 17th January.

2. Potential Impact on Objectives
See main report.

3. Finance and Other Resources
See main report.

4. Legal
See main report.

5. Other Considerations

4.1 Consultation/Community Engagement
See main report

4.2 Human Rights
See main report

4.3 Equalities and Diversity
See main report

4.4 Risk Management
See main report

4.5 Crime and Disorder
See main report

4.6 Environment and Sustainability
See main report
North East Combined Authority

Leadership Board

6. Background Documents

7. Links to the Local Transport Plans

8. Appendices
   Appendix 1 – North East England Chamber of Commerce letter
   Appendix 2 – Draft NECA response to North East England Chamber of Commerce letter

9. Contact Officers
   Paul Woods, Chief Finance Officer, paul.woods@northeastca.gov.uk, 07446936840

10. Sign off
    • Head of Paid Service ✓
    • Monitoring Officer ✓
    • Chief Finance Officer ✓
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23 December 2016

Cllr Paul Watson
North East Combined Authority
Quadrant
Cobalt Business Park
The Silverlink North
North Tyneside
NE27 0BY

Dear Cllr Watson,

North East Combined Authority budget proposals 2017-8

Thank you for the recent opportunity to meet with you and Paul Woods to discuss proposals for the North East Combined Authority (NECA) budget for 2017-8. This letter represents the North East England Chamber of Commerce’s formal response to the consultation.

The Chamber is our region’s leading business membership organisation and one of the largest chambers of commerce in the country. We represent more than 4,000 businesses located in Northumberland, Tyne and Wear, Durham and Tees Valley, covering both local enterprise partnership areas in the North East. Our members are drawn from all sizes of business across all sectors and employ about 30% of the region’s workforce. We have discussed the budget proposals and our response with members of our Council, and sub-regional committees for Durham, Northumberland, and Tyne & Wear.

This will possibly be the final full-year budget for NECA before the conclusion of the UK’s negotiations for leaving the EU. While businesses across the UK are faced with the uncertainty of Brexit, our members also remain frustrated by unfulfilled devolution and are calling on NECA to set out very clearly how it intends to contribute to the realisation of the ambitions originally set out in the Strategic Economic Plan. Ongoing uncertainty on both fronts puts the North East economy at a disadvantageous position compared to other regions of the UK.

As you will be aware, the Chamber supported the creation of NECA. At the time of those proposals, we commented that: “The creation of a Combined Authority alongside a strengthened, business-led North East LEP would help to ensure that the area achieves its undoubted economic potential. A Combined Authority would give both business and the public sector in the NELEP area a greater say on how we are governed and what our strategic priorities must be by setting our own agenda when it comes to economic development, skills, transport and inward investment and it would also provide the area with a stronger voice when speaking to external parties.”

You will also be aware that we supported devolution. We were disappointed that four of the local authorities within NECA voted against a devolution deal in September. Our members still wish to see devolution pursued in this area.

Devolution has always been seen by the Chamber as a means to an end — namely the strengthening of the area’s economy. We believe it likely we would see better policy decisions and more strategic investments if these decisions could be made within the North East, improving outcomes on matters including education and skills; transport; inward investment; business support; housing and planning; and culture and tourism. As things stand, devolution is not coming to the NECA area. It is incumbent therefore on NECA and its constituent authorities — not least those who voted against devolution — to demonstrate how these outcomes will be achieved through other means.

The presentation of this budget gives the impression that NECA has not developed an alternative plan to do this.

This budget should re-state the ambition for the North East economy set out in the Strategic Economic Plan, and demonstrate how NECA, as one of the partners, will make a contribution to realising this ambition in the next year.
Instead, the paper you shared with us states: “it is intended that costs in 2017/18 be kept to the minimum level necessary for NECA to fulfil its statutory responsibilities.” We recognise the severe budget pressures local authorities have been put under, and agree that the choices of Government to target local government for major cuts, and to place those in the North East under greater pressure than in many other regions, are short-sighted and distinctly unhelpful in the context of a stated strategic aim to develop Northern economies. However, there is no evidence from these budget proposals that NECA is ready to pursue bold and innovative approaches to support economic growth in the area and put this region in a better position when it comes to changes such as the retention of business rates.

This does not match up to the expectations we had when NECA was created, and its own stated intention to deliver “an ambitious, evidence-based plan for regional economic growth”. If no meaningful commitment and plan to drive this forward in the present circumstances is communicated, it will serve to emphasise that the decision to reject devolution was the wrong one and will hold back development of economic conditions in the NECA area while competitor regions plan for the future.

We call on NECA and its constituent authorities to urgently set out clear proposals for how they will take forward economic development in the year ahead and beyond, following the decision to turn down the devolution deal. These should live up to the firm belief Chamber members have in the potential of our region and their ambition to see it realised.

One specific item within the budget that we wish to comment on is the contribution to an inward investment team. We are pleased that in our meeting you spoke of an intention to continue funding this at least at the same level as last year. The business community would welcome clear communication of what has been achieved to date and the strategy being pursued, not least so we can assist further in its delivery.

We believe, however, that substantially greater and more cohesive resources are needed to proactively sell the many great reasons to do business in North East England to potential investors. The balance between activity carried out by individual authorities and the resource to do this on behalf of the whole area must be restructured in order to compete effectively for investment with other regions. In the context of Brexit and the potential uncertainties investors may see in the UK market, a clear, joined-up offer from the North East is even more important in the next few years. Deciding not to move to establish this now appears to us symptomatic of the wider concerns we have about the direction of NECA as set out above.

I hope this submission is helpful in your decision-making. If you require any further input please let us know. Chamber members remain ready to play a full part in ensuring the maximum possible expertise is committed to realising our region’s great economic potential.

Yours sincerely

Ross Smith
Director of Policy
Dear Ross,

Thank you for your letter on the 23rd December regarding the North East Combined Authority's (NECA) Budget proposal for 2017/18. NECA also met with business representatives from the North East LEP, the NEECC and other business organisations that represent wider business interests on 5th January.

At that meeting it was made clear that all seven local authorities support devolution. The three local authorities north of the Tyne are in discussion with government to secure a deal.

NECA and all seven councils have been working with the North East LEP to refresh the jointly owned Strategic Economic Plan (SEP) for the area which will be published shortly and will set out a more ambitious vision to strengthen the area's economy and provide more opportunities for businesses and communities.

The budget report referred to in your letter was the much earlier draft budget report published in November. The latest Budget and the Capital Programme reports that have been published for consideration by the leadership Board on 17th January, have taken into account comments received during the consultation process and set out ambitious plans for the coming year(s).

The revenue Budget Report in particular highlights the work NECA, its authorities and delivery bodies, such as Nexus, are proposing with a revenue budget of £85.5m next year and an increased capital programme of £148m. This protects key transport services next year, despite cuts in Government funding, and delivers increased capital investment to help achieve transport, skills and economic development outcomes.

Contact: Cllr Paul Watson
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Email: cllr.paul.watson@sunderland.gov.uk
The budget report highlights the work done to develop a new Transport Manifesto and produce a transport plan next year and the work undertaken with the North East LEP to deliver economic growth, including the delivery of Local Growth schemes; over £120m of investment to provide access to finance for business (which will also enable recycled funds to be available in future years).

The capital programme will be further increased in the coming months to include the outcome of our LGF3 bid and by over £100m of site infrastructure works relating to our ten new enterprise zones - helping to create over 16,000 new jobs and generate a significant net surplus, which can be reinvested to deliver SEP objectives in the medium / longer term. NECA and Nexus are in discussion with DfT to secure the necessary infrastructure funding to enable the investment in the Metro to be delivered, which will also increase our capital programme for future years when this is agreed.

Section 7 of the budget report sets out the position of the Inward Investment team. An increase in inward investment proactive activity is proposed next year, funded by a continuation of the £140,000 contribution from constituent authorities and additional funding to be agreed by the LEP.

The report demonstrated the significant joint capacity that NECA and the North East LEP have, with a combined budget for capacity of over £4.4m. These two budgets are complimentary and together support the ongoing delivery of the SEP.

I would expect that the discussion earlier this month and the sight of the latest Budget and Capital Programme reports, together with this letter makes clear the commitment of the area to the delivery of the ambitious economic outcomes that will shortly be set out in a refreshed Strategic Economic Plan.

In regards to next steps on devolution, following our meeting on the 5th January, I would like to reiterate that all seven of the local authorities in the area remain committed to devolution and are currently evaluating the best way forward for the area.

Yours sincerely,

Councillor Paul Watson
Chair, North East Combined Authority