

North East Combined Authority

Leadership Board

17 November 2015

(2.00 - 3.30 pm)

Meeting held Gateshead Civic Centre, Regent Road, Gateshead, NE8 1HH

Present:

Councillor S Henig (Chair)
Councillors G Davey, N Forbes, M Henry, I Malcolm and P Watson and Mayor N Redfearn

24 **APOLOGIES FOR ABSENCE**

An apology for absence was received from Mr P Woolston.

25 **DECLARATIONS OF INTEREST**

Councillor N Forbes declared an interest in agenda item 10 (Project Approvals) in relation to the River Tyne Economic Development Project but explained that although he could not vote on the item, he had been granted dispensation by the Governance Committee for this interest and could remain at the meeting for the duration of the consideration of this item.

Elected Mayor N Redfearn declared an interest in agenda item 10 (Project Approvals) in relation to the Weetslade Roundabout and Corridor Improvements and indicated that she had been granted dispensation by the Governance Committee for this interest.

26 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 15 September 2015 were approved as a correct record and signed by the Chair.

27 **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 the key developments within the Economic Development and Regeneration thematic area. The report was introduced by the Thematic Lead who drew Members' attention to the key achievements.

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 key developments within the Employability and Inclusion thematic area. The report was introduced by the Thematic Lead who drew Members' attention to the key achievements and issues.

During the ensuing discussion, it was noted that further discussions would be required with the North East Local Enterprise Partnership on the Enterprise Advisor Programme.

Also, a request was made that South Tyneside Council and Sunderland City Council should be included in the Generation North East programme.

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 the key developments within the Transport thematic area. The report was introduced by the Thematic Lead for who highlighted the main areas of work.

During the ensuing discussion a comment was made about the difficult position with regard to future arrangements for the Metro concession in the light of the performance of Metro. A comment was also made about the need for a briefing session on the transport vision for the North East.

RESOLVED – That:

- i. the report be noted; and
- ii. a briefing session be organised for Members on the transport vision for the North East.

28 **DEVOLUTION UPDATE**

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

Members considered the report which provided an update on the progress to date in relation to the work on the devolution deal for the region.

The report was introduced by the Chair who commended the amount of work undertaken to date, the consultation events that had been hosted by the constituent local authorities and the levels of engagement in the consultation events and their positive outcomes. The Chair thanked officers and members in the constituent local authorities for their contribution.

Members also received an update from the Head of Paid Service who highlighted the key matters arising, including in relation to the timescales, capacity and resources and the significant amount of work that was still required.

The ensuing discussion focused on the following matters:

- the importance of continuing to follow correct processes;
- the significance of open, public discussions;
- the importance of consultation, including further consultation, and the importance of feedback;
- the importance of timely and comprehensive information sharing with the Leaders in relation to the outcomes of consultations and any related developments;
- the complex position in relation to the budget setting processes and timetables for the next financial year within the context of the alignment of timescales of consultations on individual budgets of the constituent local authorities and the emerging budgetary requirements in relation to devolution;
- the likelihood that additional meetings of the Leadership Board would be required;
- the importance of fiscal devolution which was included in the asks that the region had presented to the government;
- the importance of understanding the individual budgets of the constituent local authorities; and
- the significance of the detail within the forthcoming Spending Review;

RESOLVED – That the report be noted.

29 **QUALITY CONTRACTS SCHEME UPDATE**

Submitted: A joint report of the Chief Executive Officer for Transport and Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an overview of the opinion of the Quality Contract Scheme Board (QCS Board). Members expressed their disappointment with the opinion of the QCS Board and commented on the importance of communicating Members' concerns to the government.

RESOLVED – That:

- i. The opinion of the Quality Contract Scheme Board be received;
- ii. Nexus' initial response to the Quality Contract Scheme Board's opinion be noted;
- iii. The options for next steps be developed further; and

- iv. A further report be received once more detailed analysis of the Quality Contract Scheme Board's opinion had been completed.

30 **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 provided a summary of the treasury management activity in the first six months of 2015/16. The report also sought Members' agreement to the revised investment criteria and limits and proposed updates to the prudential indicators.

During the ensuing discussion Members received advice from the Chief Finance Officer on the Authority's position with regard to potential options for investment into foreign banks. It was noted that the Authority took a cautious approach and currently did not invest into foreign banks. Clarification was also provided on the current position in relation to investment in companies controlled by the local authorities.

RESOLVED – That:

- i. The revised investment criteria and limits set out in section 2.9 be agreed; and
- ii. The updated 2015/16 prudential indicators set out in section 2.10 be agreed.

31 **DRAFT BUDGET 2016/17 AND TRANSPORT LEVIES**

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

Members considered the report which set out the key budget issues, principles and proposals that were likely to be included in the 2016/17 Budget Report that was scheduled for consideration in January 2016.

This is a summary of the points noted during the ensuing discussion:

- A Member commented on the importance of training for Members on financial matters that affected the Authority. A Member also asked that information for Members should include sufficient detail to ensure a thorough understanding of the figures, including in relation to property, and also the financial methods applied throughout the financial year.
- A comment was made on the important role of the strategic review of the funding for transport in assisting the development of the Transport Manifesto.
- Clarification was offered on the LEP's funding position. It was noted that the LEP's budget would form a part of the NECA budget. Clarification would be provided in due course on the LEP capacity to work jointly with local authorities on schemes and projects.

- A Member suggested that funding arrangements currently in place in relation to the constituent local authorities and LEP should be reviewed.

RESOLVED – That:

- a) the report and comments made be noted;
- b) the budget approach of setting out a detailed budget for 2016/17 as another transitional year, while seeking to develop a medium term financial plan during 2016, which would take into account the outcome of the additional funding secured through the devolution agreement as well as any austerity savings required to be made be agreed;
- c) the following points and proposals would form the basis of consultation about the NECA 2016/17 Budget: -
 1. The Revenue Budget and Capital Investment Programme of the NECA and NELEP would be developed to deliver the Strategic Objectives of NECA and the Objectives set out in the Strategic Economic Plan, as highlighted in Section 3 of the report;
 2. Resources would be identified and secured to support the capacity of the NECA and NELEP to secure the resources and deliver the actions needed to deliver the SEP strategic objectives. Councils' current funding contributions would be maintained at least at their current level, and the intention was that additional capacity that was required both in 2015/16 and future years, would be funded from additional external funding, including additional devolution funding; interest on cash balances; savings on existing budgets; and reserves, where this was possible;
 3. The Transport Budget and Levy for Tyne and Wear was indicatively proposed to be set at £65.12m, which was a reduction of £2.08m (-3.1%) from the 2015/16 levy, achieved by efficiency and other cost savings and use of reserves in 2016/17 and reductions in discretionary transport budgets and services from 2017. This reduction was subject to there being no significant cuts to the Revenue grants received by Nexus from DfT. If the Metro Rail Grant was subject to a reduction in the spending review, the impact of this and any alternative savings options would need to be considered in setting the Budget and Levy in January;
 4. If the Tyne and Wear Levy was reduced by £2.08m, the grant to Nexus funded by the levy was proposed to be £62.5m, a saving of £2.0m (-3.1%) achieved from efficiency savings and use of reserves next year and potentially by cuts in discretionary transport services from 2017, with a saving of £0.080m in the NECA Tyne and Wear transport budget;
 5. The impact of the cuts in Government Funding to Nexus and constituent councils; as well as options for delivering the Bus Strategy would be taken into account in a Strategic Review of all discretionary expenditure during the first half of 2016 to form the basis of a consultation on any proposals for services needed from 2017/18 onwards. This would have regard to the

relative strategic priority of transport services and other services provided by councils;

6. The indicative Transport Budget and Levy for Durham County area was £15.342m, which was a reduction of £0.735m (-4.6%) on the original budget for 2015/16. This reduction was due to anticipated reduced payments to bus companies for Concessionary Fares (£0.166m), planned cost savings primarily on subsidised bus services (£0.441m) and general budget realignment (£0.128m);
7. The indicative Transport Budget and Levy for Northumberland County area was likely to be around £6.159m, which was an increase of £0.258m (4.3%) on the original budget for 2015/16. This was due mainly to increased costs of concessionary travel and the reinstatement of a proposed saving to the Scheme following an audit of the use of disabled passes;
8. Proposals for the uplift in Metro fares to cover inflation cost pressures had been developed to constrain the average increase that does not exceed the July 2015 RPI inflation index. Proposals were being considered by the Tyne and Wear Sub-committee at its November meeting in relation to the price of the Gold Card and children fares. An increase in the Tyne Tunnel Tolls to maintain the level of the tolls in real terms and minimise the annual deficit on the Tunnels account, would be delayed from 1 January to April or June 2016;
9. The detailed budget report in January would include the outcome of consideration of the level of resources needed to provide capacity to deliver the objectives of NECA. At this stage it was envisaged that current contributions from constituent councils (Corporate costs (£300,000), Inward Investment (£140,000) and LEP Match funding (£250,000)) would be maintained at this level; with any additional expenditure in these areas funded by increases in other funding, budget savings and additional interest on revenue balances/cash flow. This additional funding, including the additional funding for Inward Investment Activities would be the subject of the Budget report in March 2016; and
10. NECA would need to set out a balanced budget for 2016/17, 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;
 - d) A narrative document be prepared from the content 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; and
 - e) A budget provision of up to £0.5m be established to be available in the current year in order to progress urgent activity related to the Devolution agreement work streams. The funding to be found from temporary use of reserves, interest on cash balances and any savings on budgets in the current year.

32 **NORTH EAST RAIL MANAGEMENT UNIT AND RAIL NORTH MEMBERS AGREEMENT**

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

Members considered the report which provided an update on the work of Rail North and associated developments and recommended that the Combined Authority should enter into the Rail North Members Agreement for the North East Rail Management Unit (NERMU).

The ensuing discussion included matters such as risks, the structure of and funding for the NERMU, the need for a better understanding of the impacts of the proposals and the need for further discussions.

Following a proposal for an alternative recommendation, which was duly moved and seconded, it was:

RESOLVED – That the report be deferred pending further discussions on the proposals.

33 **PROJECT APPROVALS (AND PROJECT APPROVALS - SUPPLEMENTARY INFORMATION)**

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

Members considered the report and also the supplemental report (Project Approvals – Supplementary Information) which provided an update on the Local Growth Funding (LGF) programme, provided details on three specific projects namely Weetslade Roundabout and Corridor Improvements, River Tyne Economic Development Project and Lindisfarne Roundabout and sought approval for the release of funding for these projects. The report also sought a general approval for bringing forward spending on the approved projects from 2016/17 into 2015/16 where this was necessary.

As an update, it was noted that concerns in relation to the State Aid had been resolved.

RESOLVED – That:

- I. the main report and the supplemental report be noted;
- II. the latest profile of spending for the Local Growth Fund programme, as set out in section 2 and Appendix A of the main report, be approved;
 - (a) the release of Local Growth Fund grant for the Weetslade and River Tyne projects be agreed subject to the conditions set out in sections 3 and 4 of the main report;

(b) delegate authority be given to the Head of Paid Service in consultation with the Thematic Lead for Transport, Chief Finance Officer and Monitoring Officer to agree the release of the Local Growth Fund grant for the Lindisfarne roundabout project, subject to the conditions set out in section 5 of the main report and receipt of the satisfactory final business case for the project; and

III. The Monitoring Officer of NECA be authorised to enter into relevant Funding Agreements for the Local Growth Fund allocations for the three projects as set out in the supplemental report.

34 **DATE AND TIME OF NEXT MEETING**

Tuesday, 19 January 2016 at 2pm at North Tyneside Council.

35 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the remainder of the meeting for the duration of the consideration of agenda item 13 – Confidential Minutes of the Previous Meeting - because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

36 **CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING**

The confidential minutes of the previous meeting held on 15 September 2015 were approved as a correct record and signed by the Chair.