

AGENDA ITEM 11**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****27th NOVEMBER 2020****REPORT OF THE DIRECTOR OF
FINANCE AND RESOURCES****QUARTER 2 BUDGET REPORT AND MEDIUM TERM FINANCIAL PLAN
UPDATE****SUMMARY**

The purpose of this report is to provide an update on the financial position of the Combined Authority for the period ending 30 September 2020 and present a revised Medium-Term Financial Plan (MTFP).

RECOMMENDATION

It is recommended that the Cabinet:

- i. Note the quarter 2 financial position as at 30 September 2020; and
- ii. Note the revised Medium-Term Financial Plan.

DETAIL

1. This report sets out the progress against the Budget for 2020-21 and the medium-term financial plan (MTFP). The Budget presents all forecast funding and expenditure for the plan period.
2. There have been no amendments to the Investment Plan and its value remains at £588.2 million for the 10-year period to 31 March 2029.
3. Other specific funding that has been secured since the budget was approved has been incorporated into the financial plan outside of the investment plan.
4. The impact of the Covid-19 pandemic is likely to have an impact on the construction industry and capital programme spending plans. Work is continuing to assess the overall impact of the latest developments across all programmes and projects and the outcome of this activity (including the impact of the latest lockdown measures) will be reported as part of the Quarter 3 position.

EXPENDITURE

5. The below table summarises the projected expenditure across the medium term and the investment plan period.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	50,095	19,642	40,290	77,762	2,917	65,994	256,700
Education, Employment & Skills	1,037	6,172	12,791	5,000	5,000	25,000	55,000
Business Growth	14,266	51,025	37,212	20,920	5,557	17,520	146,500
Culture & Tourism	252	3,075	17,316	19,189	11,125	9,043	60,000
Research, Development & Innovation	2	1,704	8,527	6,234	1,338	2,195	20,000
Place	1,250	5,159	11,282	21,302	11,007	0	50,000
Investment Plan Total	66,902	86,777	127,418	150,407	36,944	119,752	588,200
Adult Education	15,936	30,907	31,074	30,613	30,613	157,127	296,270
Pass-through budgets (Transport)	30,499	30,133	30,133	30,133	30,133	150,666	301,697
Other Approved Projects	36,323	67,954	148,616	44,288	7,760	17,337	322,278
Core Running Costs	4,815	4,813	5,413	4,813	4,813	25,265	49,932
Loan Principal (MRP)	1,224	1,306	3,195	5,883	7,905	48,890	68,403
Loan Interest	164	801	778	4,576	5,925	29,314	41,558
TOTAL EXPENDITURE	155,863	222,691	346,627	270,713	124,093	548,351	1,668,338

6. There are no changes in Investment Plan allocations but as reported during the year the Combined Authority have secured various other sources of funding to deliver specific projects and programmes over the period. This has resulted in changes to the total expenditure.
7. As a result of these changes the total expenditure budget over the 10year period has increased by £184.2 million from £1,484.1 million to £1,668.3 million. The full reconciliation of these changes is provided in the 2021/22 budget report.
8. A reconciliation of the changes impacting 2020-21 financial year is provided in the table on the following page. Further details are provided in the appropriate section of the report: -

2020-21	Total
	£'000
Total Expenditure last reported to Cabinet	185,056
<u>Additional projects</u>	
Adult Education Budget	1,460
Concessionary Fares	(357)
Access Fund	1,108
Pothole Action Fund	6,891
Get Building Fund	5,500
Back to Business	1,230
Covid-19 - Bus Services	208
Emergency Travel Fund	482
Travel Demand Management	150
BEIS Peer to Peer Network	360
Brownfield Housing	4,946
One Vision Pilot – skills	151
South Tees Development Corp	21,262
<u>Reprofiled projects</u>	
Reprofiled in line with assurance framework	(5,756)
TOTAL EXPENDITURE	222,691

9. As a result of these changes and revised spend profiles of projects the forecast total expenditure for 2020/21 is £222.7 million which equates to additional expenditure of £37.6 million against budget. This is further broken down as expenditure on newly secured projects of £43.4 million partly offset with a reduction of £5.8 million as a result of reprofiling of projects.
10. At the end of September 2020 the spend to date was £77.8 million which equates to 35% of the projected expenditure. It is forecast that expenditure on a number of projects will accelerate in the second half of the year including: -
- South Tees Development Corporation (£46.5 million)
 - Indigenous Growth Programme (£5.0 million)
 - Brownfield Housing (£4.9 million)
 - Welcome to Redcar & Cleveland (£4.6 million)
 - Northern School of Art (£4 million)
 - Southside Development (£3.5 million)
 - Hartlepool ISQ (£2.9 million)
 - Boho (£2.8 million).

11. The 10-year Investment Plan, approved by Cabinet in January 2019, set out the investment priorities for the Authority over the period. The Investment Plan dashboard shown at **Appendix 8** shows the progress to date with the key points to note on performance to date set out in the following sections.
12. There are no changes to the overall allocations in the Investment Plan however as business cases for projects and programmes have been developed the expenditure profile has become more certain and that is reflected in the latest forecasts.
13. At Q2 of 2020/21, in total, 41% (£243 million) of Investment Plan projects and programmes now have had business cases approved with a further 40% (£236.8 million) of business cases currently being developed. The theme breakdown of these amounts can be seen in Table 2 of the dashboard.
14. In total, £93.3m of Investment Plan funds have been spent by Q2 2020/21 this is the equivalent to 15.8% of total Investment Plan funds. Of this total £66.9 million was expended in 2019/20 and £26.4 million has been spent in the first half of 2020/21. The following thematic sections set out the details of the spend per theme and progress towards the forecasted spend of £86.8 million in 2020/21.

Transport

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	50,373	18,112	25,080	29,863	32,545	100,727	256,700
Revised Forecast	50,095	19,642	40,290	77,762	2,917	65,994	256,700
Movement	278	-1,530	-15,210	-47,899	29,628	34,733	0

15. The revised projected spend for 2020/21 is £19.6 million which will provide an overspend of £1.5 million against the budget as a result of planned accelerated expenditure against the programme.
16. The projects approved by Cabinet previously are now entering detailed business case and development work with delivery on a number of projects due to commence within the next 12 months.
17. At the end of quarter 2 the actual spend is £6.7 million which represents 34% of the annual projected spend. It is anticipated that as we move through the year and additional development work is procured and projects commence on the ground the spend will increase to the forecast levels.

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	5,780	8,720	5,500	5,000	5,000	25,000	55,000
Revised Forecast	1,037	6,172	12,791	5,000	5,000	25,000	55,000
Movement	4,743	2,548	-7,291	0	0	0	0

Education, Employment & Skills

18. Northern School of Art Middlesbrough relocation has commenced and the revised projected spend for this 2020/21 is £6.2 million with £2.5 million of the budget being re-profiled into 2021/22 along with the slippage from 2019/20. The remaining expenditure has been reprofiled to 2021/22.
19. At the end of quarter 2 the actual spend is £2.1 million which represents 34% of the annual projected spend. This spend is all related to Northern School of Art which has now entered the construction phase of the project and spend will increase significantly in the second half of the year.

Business Growth

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	58,715	16,785	19,000	19,000	18,000	15,000	146,500
Revised Forecast	14,266	51,025	37,212	20,920	5,557	17,520	146,500
Movement	44,449	-34,240	-18,212	-1,920	12,443	-2,520	0

20. The purchase of remaining elements of the land on the Teesworks site was initially forecast to start within 2019/20 and the budget reflected this to ensure funding is available. This was not drawn down in 2019/20 and following completion of the Compulsory Purchase Order (CPO) inquiry the profiled expenditure has been revised to align with the Government approved business case for the site.
21. The revised projected spend for 2020/21 is £51.0 million which reflects the reprofiling activity between financial years to account for the timescales associated with the CPO process and associated transition of South Tees Site Company into local control.
22. At the end of quarter 2 the actual spend is £16.2 million which represents 32% of the annual projected spend. The spend in the final half of the year is expected to increase significantly due to the latest phases of work at the Teesworks site accelerating and progressing with several areas of procurement activity already either completed or underway.

Culture & Tourism

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	2,900	9,100	11,000	15,000	15,000	7,000	60,000
Revised Forecast	252	3,075	17,316	19,189	11,125	9,043	60,000
Movement	2,648	6,025	-6,316	-4,189	3,875	-2,043	0

23. The revised projected spend for 2020/21 is £3.1 million which will provide an underspend of £6.0 million against the budget. The overall Culture strategy and associated financial commitments will be considered at the November Cabinet. All financial profiles will then be reviewed and amended to reflect proposals should they be approved.

24. At the end of quarter 2 the actual spend is £0.63 million which represents 20% of the annual projected spend. Accelerated development spend for the Darlington & Stockton Railway Quarter will account for the increased expenditure during the rest of 2020/21.

Research, Development & Innovation

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	2,000	2,000	2,000	2,000	2,000	10,000	20,000
Revised Forecast	2	1,704	8,527	6,234	1,338	2,195	20,000
Movement	1,998	296	-6,527	-4,234	662	7,805	0

25. The revised projected spend for 2020/21 is £1.7 million which will provide an underspend of £0.3 million against the budget. The original provisional profiles for this area were evenly spread across the Investment Plan period. Following the approval of the Research, Development and Innovation proposals at January 2020 Cabinet the subsequent business case development process has provided the estimated profiled expenditure. These profiles have now been reflected in financial plans.

26. At the end of quarter 2 the actual spend is £0.1 million which represents 6% of the annual projected spend. During the second half of the year the programme of activity will move into delivery stage with commencement of the Hydrogen Transport project and Sector Networks.

Place

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	10,000	10,000	10,000	10,000	10,000	0	50,000
Revised Forecast	1,250	5,159	11,282	21,302	11,007	0	50,000
Movement	8,750	4,841	-1,282	-11,302	-1,007	0	0

27. There was slippage of £8.75 million from 2019/20 which has been re-profiled into future years in line with the requirements of the local authority projects. The revised projected spend for 2020/21 is £5.2 million which will provide an underspend of £4.8 million against the budget.

28. At the end of quarter 2 the actual spend is £0.2 million which represents 4% of the annual projected spend. Local Authority call off arrangements are now being signed off which will accelerate the spend through the second half of the year.

Funding that sits outside the Tees Valley Investment Plan 2019-29

Adult Education Budget

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revised Budget	15,936	30,907	31,074	30,613	30,613	157,127	296,270
Revised Forecast	15,936	30,907	31,074	30,613	30,613	157,127	296,270
Movement	0	0	0	0	0	0	0

29. Adult Education functions were devolved from the start of the Academic year in August 2019. From the 2020/21 Academic year the Combined Authority's base budget was increased by £1.2 million to £30.6 million. As part of the Covid-19 Skills Recovery Package an additional £1.2 million was awarded for the 2020/21 academic year to help to support the wider Government plans to protect, support and create jobs. Adult Education funding is received for Academic years and therefore pro-rata sums of additional funding are reflected in 2020/21 with full year effect the following financial years.

30. The revised projected spend for 2020/21 is £30.9 million to reflect the changes above.

31. At the end of quarter 2 the actual spend is £14.6 million which represents 47% of the annual projected spend.

Pass-through budgets (Transport & Infrastructure)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revised Budget	30,490	30,490	30,490	30,490	30,490	152,450	304,900
Revised Forecast	30,499	30,133	30,133	30,133	30,133	150,666	301,696
Movement	-9	357	357	357	357	1,785	3,204

32. The Transport and Infrastructure budget heading is made up of two elements: The Local Transport Capital Plan (LTP) and Concessionary Fares. The LTP grant is received from Government and passported directly to the constituent authorities to contribute towards delivery of their capital programme. The Concessionary Fares budget is negotiated with bus operators annually and is fully funded by contributions from the constituent authorities. These negotiations resulted in a reduction for 2020/21 which has been reflected across the 9-year period to result in total reduction of £3.2 million, the associated funding will reduce accordingly.

33. The revised projected spend for 2020/21 is £30.1 million which will provide an underspend of £0.4 million against the budget as a result of the reduced levels of Concessionary Fares.

34. At the end of quarter 2 the actual spend is £22.0 million which represents 73% of the annual projected spend this is as a result of the LTP funds being passported to the

Local Authorities in quarter 1 with the concessionary fares being paid to the bus operators monthly.

Other Approved Projects

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revised Budget	60,342	94,948	124,385	35,847	5,135	2,222	322,879
Revised Forecast	36,323	67,954	148,616	44,288	7,760	17,337	322,278
Movement	24,019	26,994	-25,832	-8,441	-1,023	-15,115	601

35. Other approved projects include projects and programmes that were approved as part of the 2017-21 Investment Plan which continue to be in delivery. In addition to this funding that has been secured to deliver specific projects is also included here. Full details of these projects and programmes can be found in **Appendix 2**.
36. Since the budget was agreed the Authority has been successful in securing £182.7 million of additional funding to deliver specific projects and programmes, details of which can be found below. This gives a revised budget for the period of £322.9 million, there has been some slight underspends against grant schemes which has resulted in £0.6 million underspend forecast over the period.
37. In July 2020 confirmation was received of a £19.8 million allocation from the Brownfield Housing Fund. The Brownfield Housing Fund aims to create more homes by easing the viability issues that Brownfield sites face. The fund will support developments over a four year period where there is a evidenced market failure and with a target of developing at least 1,000 new homes.
38. In August the government announced a £900 million Getting Building Fund to deliver jobs, skills and infrastructure across the country on shovel ready projects. The Combined Authority were awarded £17.4 million from this fund to deliver three specific projects by March 2022. The projects agreed with Government were a contribution to Middlesbrough Station redevelopment (£9.65 million), Creation of high-grade business accommodation comprising lab/office spaces at Central Park (£3.65 million) and South Tees Development Corporation (STDC) site gateway infrastructure including dedicated induction space and training facility (£4.1 million).
39. New funding has been secured from Government to deliver the infrastructure works at Teesworks site which will be awarded to the Combined Authority to pass onto the development corporation totalling £124.6 million. The funding was secured as part of the overall business case approved by Government and will be utilised between 2020/21 and 2022/23. The funding includes the transition of South Tees site Company Ltd to local control within the STDC Group.
40. The Department for Transport announced the Infrastructure Investment Fund in May 2020 to improve journeys for cyclists, pedestrians and drivers. The Combined Authority was awarded £6.9 million from the Pothole and Challenge fund on a formulaic basis. This funding has been passported onto the constituent authorities for them to deliver projects under this scheme in their respective areas. At the end of 2019/20 the Authority was also awarded £0.5 million from the pothole action fund.

41. An extension to the Connect Tees Valley programme from DfTs Access Fund was secured resulting in a further £1.0 million of funding to fund activity in 2020/21. The fund is being used to widely encourage the use of public transport, cycling and walking through the introduction of sustainable transport schemes, promotion and marketing.
42. The Combined Authority have been awarded £0.8 million to deliver a variety of transport related interventions in response to the COVID-19 pandemic. This comprises of Emergency active travel fund, travel demand services and Bus service support.
43. In June 2020 the Combined Authority was successful in securing £8.8 million of ERDF to promote and support growth to SME's through the Business Growth Grant scheme. This programme builds on the previous ERDF programme which ran from 2017 and will continue to provide the support to SME's to 2023.
44. To support businesses recover from COVID-19 and grow £1.2 million of funding has been secured to deliver the Back to Business Fund which provides small and medium businesses in the Tees Valley with access to 100% grant funding.
45. An Additional £0.2 million was awarded to supplement the BEIS growth hub funding to enable continuation of the Cluster model and provide certainty in the short term that Growth Hubs will have the resources at their disposal to provide much needed targeted local support and advice to businesses, as they face the challenges presented by the COVID-19 pandemic
46. Funding for the Peer Network was secured in July, £0.4 million, which enables businesses to make connections that go far beyond networking and helps more SMEs access high quality Peer Networks which will support the economic recovery from COVID-19 in the short term, whilst improving firm level productivity in the medium to long term.
47. The Combined Authority hosts one of the five Local Energy Hubs in England covering the North East, Yorkshire and Humber. A further £0.6 million was awarded to deliver the Local Energy Capacity Support programme taking the total value secured to £1.9 million.
48. Within the Local Energy Hub the Rural Community Energy Fund supports rural communities to increase renewable energy generation and promote community-owned renewable schemes. A further £0.2 million has been awarded for its delivery in addition to the £1.5 million in the budget.
49. The Combined Authority will run a pilot for the Department of Education Opportunity North East Vision in partnership with North East LEP to reduce the percentage of pupils who become NEET from the schools involved in the pilot. The pilot will operate until summer 2022 with funding of £0.3 million secured to deliver this.
50. At the end of quarter 2 the actual spend is £12.8 million which represents 19% of the annual projected spend. As the projects and programmes relating to the new funding secured begin delivery in the second half of the year expenditure will accelerate, with Teesworks site, Brownfield Housing and the Getting Building Fund projects seeing significant expenditure take place.

CORE COSTS

51. The table below sets out the forecasted position of core costs for 2020/21

Core costs	Budget	Forecast	Variance
Salaries (incl. NI & Pension)	3,899,945	3,897,842	2,103
Other Staffing Costs	15,000	20,000	-5,000
Total Staff Costs	3,914,945	3,917,842	-2,897
Premises	335,000	318,901	16,099
General Running Costs	402,967	416,169	-13,202
Marketing & Communications	160,000	160,000	0
Non-Salary Expenditure	897,967	895,070	2,897
TOTAL EXPENDITURE	4,812,912	4,812,912	0

52. Whilst there has been over and underspends on various headings within the core budget it is forecast that the budget will break even at the year end.

53. An initial reorganisation to create the Group management structure has taken place in line with proposals reported to Cabinet within the year. The costs associated with any changes have all been absorbed with the planned in year savings and other staffing savings from vacant posts during the year as a result of a halt in recruitment for part of the year due to Covid-19.

54. As a result of the office being closed to staff there has been reduced spend on premises costs which has resulted in the one-off saving shown in the above table.

55. Within the general running costs there has been some increased expenditure on professional fees to provide specialist advice where required, this has been partly offset by savings from staff related expenses.

56. The following table shows the position of core costs at the end of quarter 2.

Core costs	Budget	Actual	Variance
Salaries (incl. NI & Pension)	1,949,972	2,110,915	(160,943)
Other Staffing Costs	7,500	14,076	(6,576)
Total Staff Costs	1,957,472	2,124,991	(167,519)
Premises	167,500	157,051	10,449
General Running Costs	186,484	204,992	(18,508)

Marketing & Communications	80,000	57,214	22,786
Non-Salary Expenditure	433,984	419,257	14,727
TOTAL EXPENDITURE	2,391,456	2,544,248	(152,792)

57. The original profiled core staffing budget was set pre-Group structure proposals and activity. Following the approval by Cabinet to the new Group arrangements the costs and associated savings for restructure activity have been reflected in the forecast outturn position and demonstrate a net saving for the year. The savings have been identified and delivered with the majority in the second half of the year resulting in a temporary overspend at Quarter 2.

Cost of Borrowing

58. The 2020/21 budget approved the use of the Combined Authorities borrowing powers to deliver the Investment Plan. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy. The loan repayments are made up of the minimum revenue provision which is calculated based on the methodology set out in the Treasury management statement based on the capital financing requirement and interest on the actual external borrowing taken out.

59. The Authority minimises its costs of borrowing by utilising internal resources where required, sometimes known as internal borrowing, this reduces risk and keeps interest costs low. The calculations have been updated based on the latest profile of required borrowing requirements. Overall the updated profiles and reduced interest rates have reduced the required cost of borrowing by £5.9 million in the investment plan period.

FUNDING

60. The below tables summarise the forecast funding across the medium term and the investment plan period.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	242,407	229,345	269,790	192,188	165,963	579,408	1,679,101
Revised Forecast	155,863	222,691	346,627	270,713	124,093	548,351	1,668,338
Movement	86,544	6,654	(76,837)	(78,525)	41,870	31,057	10,763

Revised Funding Forecast	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Local Growth Fund	9,416	14,127	0	0	0	0	23,633
Devolution	15,000	15,000	15,000	15,000	15,000	75,000	150,000
Enterprise Zones	2,070	2,603	5,172	5,451	5,562	30,962	51,820
Transforming Cities Fund	13,000	18,000	24,000	52,321	1,400	53,379	162,100
Loan Repayments & Investment returns	2,432	1,263	3,855	3,663	3,669	18,235	32,617

Government Grants	16,908	57,023	100,315	43,616	16,850	58,293	293,005
Adult Education Budget	15,936	30,907	31,074	30,613	30,613	157,127	296,270
Local Transport Plan	13,930	13,930	13,930	13,930	13,930	69,650	139,300
Concessionary Fares	16,636	16,203	16,203	16,203	16,203	81,015	162,463
Borrowing	42,494	61,798	86,393	62,745	19,400	4,493	277,323
Movement -to / from reserves	8,041	-8,163	50,685	27,171	1,466	197	79,397
Total	155,863	222,691	346,627	270,713	124,093	548,351	1,668,338

61. Since the budget was agreed the Authority has been successful in securing £182.7 million of additional funding to deliver specific projects and programmes, details of which can be found in paragraphs 30 to 42. In addition to this an additional £11.3 million was secured to deliver the Adult Education Budget. This gives a revised budget for the period of £1,679.1 million.

62. The forecasted income across the period is £1,668.3 million which equates to £10.7 million under budget, the reasons for this are set out below:-

- Reduction in Enterprise Zone (£4.0) million rates across the period due to delays in some of the projects completing and uptake of properties.
- Contributions for Concessionary Fares have reduced by (£3.2) million across the period as a result of negotiated payments to bus operators leading to reduced levels of contributions from the constituent Local Authorities.
- Investment returns and loan repayments have reduced by (£4.4) million across the investment plan period. This is mainly as a result of the terms for the Tees Valley Waste project loan to the constituent local authorities meaning that repayment will be longer term beyond the investment plan period.
- Underspends on grant schemes totalling (£0.6) million.
- The borrowing requirement has increased by £0.6m across the investment plan period as a result of reduced income available to invest into projects.
- Additional drawdown from reserves of £0.9 million.

RESERVES

63. The Combined Authority holds two classifications of usable reserves these are non-ring-fenced funds which have been received but not yet applied and the General Balance Reserve. The Combined Authority manages overall resource requirements by reference to the MTFP and overall Investment Plan.

64. At April 2019 there was a balance of £79.4 million of available funds held in reserve, of which £8.0 million was utilised to fund projects within 2019/20 leaving a balance of £71.4 million at the end of March 20. The remaining balance will be utilised throughout the 10-year period to support the delivery of the investment plan, as set out in the table in paragraph 60.

65. Good practice guidance for Local Authorities is that a proportion of net revenue expenditure should be held in the General Balance Reserve to manage risk and any unforeseen circumstances. The Combined Authority manages overall resource requirements by reference to the MTFP and overall Investment Plan and the general reserve stands at £1.058 million.

BORROWING

66. The Capital Financing Requirement (CFR) shows the underlying need to borrow to fund capital investments. The Authority's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Therefore the actual timing of the borrowing may not always follow the profile of the CFR as the Authority looks to strike this balance, details of this "internal borrowing" can be found at Appendix 4.
67. Within the MTFP period the total CFR to deliver the Investment Plan and fund commercial projects is £230.3 million as part of a wider borrowing requirement of £277.3 million to 2025, details of which can be found at Appendix 4.
68. This is well within the Government agreed borrowing caps of £774 million. The revised total borrowing requirement of £277.3 million represents an increase of £0.6 million from the budget.
69. The repayments for the borrowing are affordable and can be financed from revenue funding received both during and beyond the investment plan period.

MEDIUM TERM FINANCIAL PLAN 2019-23

70. Funding and expenditure for the plan period, including the proposed 2020/21 budget is summarised in the medium-term financial plan as set out in **Appendix 5**. The medium-term financial plan is also set out based by themes at **Appendix 6**, with a detailed reconciliation at **Appendix 7**.

FINANCIAL IMPLICATIONS

71. This report gives an update on performance against the budget for the Combined Authority, updates the Medium-Term Financial Plan and Investment Plan forecasts.

LEGAL IMPLICATIONS

72. There are no legal implications associated with the recommendations within this report.

RISK ASSESSMENT

73. This Budget Report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

74. The budget for the year was consulted in line with statutory requirements. All updates set out in this report are consulted with Tees Valley Management Group, Chief Executives and the Local Enterprise Partnership.

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Appendix 1

Forecast expenditure on 2019-29 investment plan

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Integrated Transport Plan	1,990	11,297	33,879	71,440	0	63,494	182,100
Teesside International Airport	48,105	8,345	6,411	6,322	2,917	2,500	74,600
Total Transport	50,095	19,642	40,290	77,762	2,917	65,994	256,700
Northern School of Art	1,037	6,172	7,305	0	0	0	14,514

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education, Employment & Skills Programme	0	0	5,486	5,000	5,000	25,000	40,486
Total Education Employment and Skills	1,037	6,172	12,791	5,000	5,000	25,000	55,000
Business Growth Programme	51	3,470	3,265	3,097	3,097	17,020	30,000
South Tees Development Corporation	13,115	38,160	5,225	0	0	0	56,500
Boho "The Digital City"	1,100	2,755	11,762	4,383	0	0	20,000
Welcome to Redcar & Cleveland	0	4,630	10,420	2,750	1,700	500	20,000
Riverside Northshore Development	0	2,010	6,540	10,690	760	0	20,000
Total Business Growth	14,266	51,025	37,212	20,920	3,597	17,520	146,500
Culture & Tourism Programme	252	1,329	4,125	4,126	6,125	4,043	20,000
Hartlepool Waterfront	0	0	5,000	5,000	5,000	5,000	20,000
Darlington & Stockton Railway Heritage	0	1,746	8,191	10,063	0	0	20,000
Total Culture & Tourism	252	3,075	17,316	19,189	11,125	9,043	60,000
Research, Development & Innovation Programme	2	1,704	8,527	6,234	1,338	2,195	20,000
Place Programme	1,250	5,159	11,282	21,302	11,007	0	50,000
Investment Plan Total	66,902	86,777	127,418	150,407	36,944	119,752	588,200

Appendix 2

Forecast expenditure on approved other investments in the plan period

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A689 Wynyard Improvement	0	0	0	0	0	2,191	2,191
Access Fund	1,022	1,137	0	0	0	0	2,159
Covid Bus Services	0	207	0	0	0	0	207

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Darlington Station	198	0	0	0	0	0	198
Emergency Travel Fund	0	482	0	0	0	0	482
Hartlepool Western Growth Corridor	0	0	3,108	0	0	0	3,108
Middlesbrough Rail Station	0	3,000	6,650	0	0	2,492	12,142
National Productivity Investment Fund	6,605	0	0	0	0	0	6,605
Pothole Action Fund	534	6,891					7,425
Sustainable Access To Employment Programme	3,162	472	0	0	0	0	3,634
Transport Studies	136	0	0	0	0	0	136
Travel Demand Management	0	150	0	0	0	0	150
Total Transport	11,657	12,339	9,758	0	0	4,683	38,440
EES Strategy: Apprentices	319	850	1,017	250	0	0	2,436
EES Strategy: Creating a TV Careers & Enterprise Initiative	1,256	1,136	824	0	0	0	3,216
EES Strategy: Routes To Work	2,053	2,243	1,914	0	0	0	6,210
EES Strategy: Supporting education innovation and collaboration	0	500	1,500	0	0	0	2,000
EES Strategy: TBC	0	0	0	1,602	1,602	0	3,204
EES Strategy: Workforce Planning Support	0	504	1,448	1,162	0	0	3,114
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	374	281	0	0	0	0	655
Hartlepool Innovation Skills Quarter Phase 1b	303	0	0	0	0	0	303
Hartlepool Innovation Skills Quarter Phase 2	0	2,902	792	0	0	0	3,694
Kirkleatham Walled Garden & Catering Academy	0	318	0	0	0	0	318
One Vision Pilot	0	151	122	20	0	0	293
Skills Analyst	25	125	0	0	0	0	150
Sustaining 16+ Facilities Capital	0	0	2,532	0	0	0	2,532
YEI Extension	752	1,115	0	0	0	0	1,867
Total Education Employment and Skills	5,082	10,125	10,149	3,034	1,602	0	29,992
Back to Business Fund	0	1,230	0	0	0	0	1,230
BEIS Business Compass	246	462	0	0	0	0	708
BEIS Peer To Peer	0	360	0	0	0	0	360
Billingham Bio-Pharmaceutical Campus	1,709	916	0	0	0	0	2,625
Brexit Preparation Fund	104	248	0	0	0	0	352
Broadband	0	443	0	0	0	0	443
Business Support Package	0	833	833	834	833	1,667	5,000
Central Park	0	400	3,250	0	0	0	3,650
Delivering Sector Action Plans Programme	162	908	700	0	0	0	1,770
ERDF Business Compass	4,626	1,074	0	0	0	0	5,700
ERDF Business Growth Fund	0	144	2,750	4,206	1,689	0	8,789
ESIF Technical Assistance	49	36	36	0	0	0	121
Ingenium Park - Phase 1	1,405	195	0	0	0	0	1,600
Local Industrial Strategy	138	242	0	0	0	0	380
One Public Estate	0	0	255	0	0	0	255
South Tees Development Business Case	0	21,262	81,475	21,819	0	0	124,556

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SSI – Capital Grant Scheme	2,256	0	1,531	0	0	0	3,787
SSI – Devolved Pot	234	970	3,329	0	0	0	4,533
SSI - Redcar Growth Zone	0	0	5,000	0	0	0	5,000
Teesside Advanced Manufacturing Park - Remediation and Development	430	0	0	0	0	0	430
Teesside Airport Southside Development	94	3,509	14,474	5,523	0	0	23,600
Teesside Airport Southside Development Cashflow	0	0	0	486	623	1,087	2,196
Teesworks Gateway	0	2,100	2,000	0	0	0	4,100
Total Business Growth	11,453	35,332	115,633	32,868	3,145	2,754	201,185
Culture Programme	834	202	0	0	0	0	1,036
Culture: City games	339	0	341	245	340	650	1,915
Culture: Rugby League World Cup Bid	85	83	82	0	0	0	250
Great Places	592	134	0	0	0	0	726
Museum of the Royal Navy	0	25	0	0	0	0	25
Rail Heritage Quarter Phase 2 Development Work	130	0	0	0	0	0	130
Total Culture & Tourism	1,980	444	423	245	340	650	4,082
Carbon Capture & Storage Development	0	93	0	0	0	0	93
Innovation Project	500	0	0	0	0	9,250	9,750
Energy Network (North East and Humber)	404	859	330	0	0	0	1,593
Liberty Steel	2,702	0	0	0	0	0	2,702
Low Carbon Action Plan Development	72	43	0	0	0	0	115
Rural Energy Fund	123	407	407	373	373	0	1,683
South Tees District Heating	191	0	0	0	0	0	191
Teesside University National Horizons Centre	0	707	0	0	0	0	707
TVCA Hydrogen Transport Deployment Bid	19	24	0	0	0	0	43
TWI Joint Hydrogen Business Development Manager	40	0	0	0	0	0	40
Waste Strategy	0	0	2,750	2,250	0	0	5,000
Total Research, Development & Innovation	4,051	2,133	3,487	2,623	373	9,250	21,917
SSI Programmes	262	753	1,668	0	0	0	2,683
Homelessness	90	0	0	0	0	0	90
Covid	7	850	0	0	0	0	857
Brownfield Housing	0	4,946	7,246	5,353	2,300	0	19,845
Total Non Investment Plan Headings	359	6,549	8,914	5,353	2,300	0	23,475
Darlington Northern Link Road	0	271	0	0	0	0	271
Darlington Sports Village	145	83	0	0	0	0	228
District Heating Commercialisation Stage	283	217	0	0	0	0	500
Faverdale (Phase 1)	0	0	50	0	0	0	50
Full Fibre Network	37	33	0	0	0	0	70
Kirkleatham Estate Investment Project	160	205	50	0	0	0	415
Fees & Studies	78	-29	0	0	0	0	49

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rail Gauge Enhancement Teesport	250	0	0	0	0	0	250
Redcar Railway Station Business Quarter	0	50	0	0	0	0	50
Research & Evaluation	171	152	152	164	0	0	640
Tees Crossing Development	559	0	0	0	0	0	559
Transport Studies	43	0	0	0	0	0	43
Waste Strategy	15	50	0	0	0	0	65
Total Development Fund	1,761	1,032	252	165	0	0	3,207
TOTAL	36,323	67,954	148,616	44,288	7,760	17,337	322,278

Appendix 4

Borrowing

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Borrowing Required	42,494	61,798	86,393	62,745	19,400	4,493	277,323
		MTFP Period Total			230,336		

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	42,494	61,798	86,393	62,745	19,400	4,493	277,323
Internal Borrowing	-12,494	-61,798	74,292	0	0	0	0
External Borrowing	30,000	0	160,685	62,745	19,400	4,493	277,323

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Minimum Revenue Provision	1,224	1,306	3,195	5,883	7,905	48,890	68,403
Loan Interest	164	801	778	4,576	5,925	29,314	41,558
		MTFP Period Total			30,369		

Appendix 5

Medium Term Financial Plan 2020-24

MEDIUM TERM FINANCIAL PLAN	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000

Funding	169,056	209,549	180,797	103,227	662,629
Borrowing	61,798	86,393	62,745	19,400	230,336
TOTAL FUNDING	230,854	295,972	243,542	122,627	892,965
10 Year Investment Plan	86,777	127,418	150,407	36,944	401,546
Other Approved Projects	67,954	148,616	44,288	7,760	268,618
Adult Education Budget	30,907	31,074	30,613	30,613	123,207
Transport & Infrastructure	30,133	30,133	30,133	30,133	120,532
Core Running Costs	4,813	5,413	4,813	4,813	19,852
Cost of Borrowing	2,107	3,973	10,459	13,830	30,369
TOTAL EXPENDITURE	222,691	346,627	270,713	124,093	964,124
TRANSFER TO / FROM RESERVES	8,163	-50,685	-27,171	-1,466	--71,159
Reserves Opening Balance	72,396	80,559	29,874	2,703	
Transfer To / From Reserves	8,163	-50,685	-27,171	-1,466	
RESERVES CLOSING BALANCE	80,559	29,874	2,703	1,273	

Medium Term Financial Plan 2020-24 by Themes

EXPENDITURE BY THEME HEADINGS	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Transport	45,911	63,978	91,692	16,847	218,428
Education, Employment & Skills	47,204	54,014	38,647	37,215	177,080
Business Growth	86,357	152,845	53,788	8,702	301,692
Culture & Tourism	3,519	17,739	19,434	11,465	52,157
Research, Development & Innovation	3,837	12,014	8,857	1,711	26,419
Place	5,159	11,282	21,302	11,007	48,750
Development Pot	1,032	252	165	0	1,449
THEME EXPENDITURE	193,019	312,124	233,885	86,947	825,975
Non Investment Plan Headings	6,549	8,914	5,353	2,300	23,116
Concessionary Fares	16,203	16,203	16,203	16,203	64,812
Core Running Costs	4,813	5,413	4,813	4,813	19,852
Cost of Borrowing	2,107	3,973	10,459	13,830	30,369
NON THEME SPECIFIC EXPENDITURE	29,672	34,503	36,828	37,146	138,149
TOTAL EXPENDITURE	222,691	346,627	270,713	124,093	964,124

The table below reconciles the above table with the tables in Appendices 1, 2 and 5.

THEME RECONCILIATION	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Investment Plan (appendix 1)	19,642	40,290	77,762	2,917	140,611
Other Approved Projects (appendix 2)	12,339	9,758	0	0	22,097
Transport & Infrastructure - Local Transport Plan (Appendix 5)	13,930	13,930	13,930	13,930	55,720
Total Transport	45,911	63,978	91,692	16,847	218,428
Investment Plan (appendix 1)	6,172	12,791	5,000	5,000	28,963
Other Approved Projects (appendix 2)	10,125	10,149	3,034	1,602	24,910
Adult Education Budget (appendix 5)	30,907	31,074	30,613	30,613	123,207
Total Education, Employment & Skills	47,204	54,014	38,647	37,215	177,080
Investment Plan (appendix 1)	51,025	37,212	20,920	5,557	114,714
Other Approved Projects (appendix 2)	35,332	115,633	32,868	3,145	186,978
Total Business Growth	86,357	152,845	53,788	8,702	301,692
Investment Plan (appendix 1)	3,075	17,316	19,189	11,125	50,705
Other Approved Projects (appendix 2)	444	423	245	340	1,452
Total Culture & Tourism	3,519	17,739	19,434	11,465	52,157
Investment Plan (appendix 1)	1,704	8,527	6,234	1,338	17,803
Other Approved Projects (appendix 2)	2,133	3,487	2,623	373	8,616
Total Research, Development & Innovation	3,837	12,014	8,857	1,711	24,619
Investment Plan (appendix 1)	5,159	11,282	21,302	11,007	48,750
Total Place	5,159	11,282	21,302	11,007	48,750
Other Approved Projects (appendix 2)	1,032	252	165	0	1,448
Total Development Pot	1,032	252	165	0	1,448
TOTAL THEME EXPENDITURE	193,019	312,124	233,885	86,947	825,975
Non Investment Plan Headings (appendix 2)	6,549	8,914	5,353	2,300	23,116
Transport & Infrastructure - Concessionary Fares (appendix 5)	16,203	16,203	16,203	16,203	64,812
Core Running Costs – (appendix 5)	4,813	5,413	4,813	4,813	19,852
Cost of Borrowing – (appendix 5)	2,107	3,973	10,459	13,830	30,369
NON THEME SPECIFIC EXPENDITURE	29,672	34,503	36,828	37,146	138,149
TOTAL EXPENDITURE	222,691	346,627	270,713	124,093	964,124