

AGENDA ITEM 9**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****2nd JULY 2021****REPORT OF THE DIRECTOR OF FINANCE AND RESOURCES****QUARTER 4 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 31 March 2021 and present a revised Medium-Term Financial Plan (MTFP).

RECOMMENDATION

Following approval of the Investment Plan Refresh 2019-2029 set out in the previous report, it is recommended that the Combined Authority Cabinet:

- i. Note the quarter 4 financial position as of 31 March 2021; and
- ii. Approve the revised Medium-Term Financial Plan.

DETAIL

1. This report sets out the outturn position for 2020-21 and the medium-term financial plan (MTFP). The Budget presents all forecast funding and expenditure for the plan period.
2. Items previously held outside of the investment plan have been consolidated within it, to enhance reporting information and to allow for clear identification of the level of investment being made under each thematic area.
3. Other specific funding that has been secured to deliver projects and programmes since the budget was approved has been incorporated into the investment plan.

EXPENDITURE

4. Since the previous MTFP report was approved by Cabinet the presentation of expenditure has been reviewed. When the Authority secured additional funding for specific projects this would be held outside of the investment plan in "Other Approved Projects". These projects have now been consolidated into the appropriate investment plan theme to enhance the reporting information and to allow for clear identification of the level of investment being made under each thematic area.

5. The expenditure which will remain outside of the investment plan relates to concessionary fares, any commercial projects, research & evaluation, core costs and costs of borrowing.
6. A reconciliation of this consolidation can be found in **Appendix A** and a detailed breakdown of the projects and programmes by theme is provided in **Appendix B**.
7. The table below summarises the projected expenditure across the medium term and the investment plan period in the revised format.

Table 1	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	43,064	76,231	81,060	20,301	15,407	105,744	341,807
Education, Employment & Skills	44,001	60,523	40,138	35,613	35,613	142,447	358,335
Business Growth	64,548	156,070	53,789	14,740	4,430	15,221	308,798
Culture & Tourism	2,667	19,295	18,730	11,465	9,043	650	61,850
Innovation & Clean Growth	1,650	68,674	3,893	1,539	618	1,577	77,951
Place	4,852	34,396	28,523	19,044	1,362	0	88,177
Investment Plan Total	160,782	415,189	226,133	102,702	66,473	265,639	1,236,918
Concessionary Fares	15,846	15,985	15,985	15,985	15,985	63,943	143,729
Commercial Projects	2,499	17,214	8,805	475	623	1,086	30,702
Research & Evaluation	165	150	125	0	0	0	440
Core Running Costs	4,807	5,419	4,813	4,813	5,413	19,852	45,117
Costs of Borrowing	2,053	2,973	7,594	11,442	13,015	80,774	117,851
TOTAL EXPENDITURE	186,152	456,930	263,455	135,417	101,509	431,294	1,574,757

8. Since the last report to the Combined Authority, additional funding has been secured to deliver specific projects and programmes over the period. This has resulted in changes to the total expenditure.
9. A reconciliation of these changes is provided below with all values shown representing the total additional allocations over the investment plan period. Further details are provided in the appropriate thematic section of the report.

Table 2	Transport	Business Growth	Innovation & Clean Growth	Con Fares	Costs of Borrowing	Total
Project	£'000	£'000	£'000	£'000	£'000	£'000
A689 Wynyard Corridor Development Funding	780	0	0	0	0	780
Home To School Transport	2,782	0	0	0	0	2,782
Pothole Funding	5,242	0	0	0	0	5,242
Local Transport Plan Reduction	-20,752	0	0	0	0	-20,752
BEIS Peer to Peer Programme	0	180	0	0	0	180
ESIF Technical Assistance	0	16	0	0	0	16
BEIS Business Growth Hub	0	462	0	0	0	462
Green Homes Grant	0	0	53,200	0	0	53,200
North East & Humber Energy Hub	0	0	870	0	0	870
Concessionary Fares	0	0	0	-2,099	0	-2,099
Freeport	0	2,000	0	0	0	2,000
Costs of Borrowing	0	0	0	0	9,278	9,278
TOTAL	-11,948	2,658	54,070	-2,099	9,278	51,959

10. The table below sets out the proposed changes to the Investment Plan which shows a net increase in expenditure of £5.8m.

Table 3	Transport	Business Growth	Innovation & Clean Growth	Education, Employment & Skills	Place	Total
Project	£'000	£'000	£'000	£'000	£'000	£'000
Teesside Airport	10,000	0	0	0	0	10,000
Business Grants	0	5,000	0	0	0	5,000
IGF	0	0	0	0	10,000	10,000
Car Parking	0	0	0	0	-1,056	-1,056
Innovation Project	0	0	-9,250	0	0	-9,250
A689 Wynyard	-2,191	0	0	0	0	-2,191
Middlesbrough Station	-2,492	0	0	0	0	-2,492
EES Strategy	0	0	0	-4,216	0	-4,216
TOTAL	5,317	5,000	-9,250	-4,216	8,944	5,795

11. A Reconciliation of the Investment plan incorporating the changes set out in tables 2 and 3 can be found at **Appendix C**.

12. As a result of these changes the total expenditure budget over the investment plan period has increased by £57.8 million from £1,517.0 million to £1,574.8 million.

13. The previously forecasted outturn for 2020/21 was £220.6 million, the adjustments to funding set out in table 2 (including £1.7 million additional expenditure for 2020/21) gave a revised position of £222.3 million. The actual outturn for 2020/21 was £186.2 million which equates to reduced expenditure of £36.1 million. Details of these areas of underspend are contained within the following thematic sections. The table below summarises these variances.

Theme	Variance to Budget £'000
Transport	-1,138
Education, Employment & Skills	-3,840
Business Growth	-20,244
Culture & Tourism	-852
Innovation & Clean Growth	-2,499
Place	-6,582
Concessionary Fares	0
Commercial Projects	-1,010
Research & Evaluation	42
Core Running Costs	-6
Costs of Borrowing	42
TOTAL	-36,089

13. Following review of the funding allocation and forecast outturn changes set out above, the investment plan profiles have been amended. These amendments are set out in each thematic section below. The amendments have been broken down between “adjustments for funding changes”, “reprofiling” and “investment plan refresh”.

Transport

Investment Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	15,586	38,761	64,847	9,497	6,876	60,400	195,967
Consolidation (App B)	26,590	23,688	13,930	13,930	11,336	62,997	152,471
Adjustments for Funding Changes (table 2)	2,026	4,184	-2,594	-2,594	-2,594	-10,376	-11,948
Investment Plan Refresh	0	5,000	5,000	0	0	-4,683	5,317
Reprofiling	-1,138	4,598	-123	-532	-211	-2,594	0
TOTAL	43,064	76,231	81,060	20,301	15,407	105,744	341,807

14. A detailed breakdown of all consolidated items that were previously held outside of the investment plan is provided at **Appendix C**.

Adjustment for Funding Changes

15. Within the devolution deal the Local Transport Plan capital block funding levels were maintained until 2020/21. The settlement was received for 2021/22 with a reduction of £2.6 million, it has been assumed that this funding will continue at the reduced levels for the rest of the investment plan period resulting in a reduction of £20.8 million.
16. In the transport settlement for 2021/22 additional pothole action funding was received totalling £5.2 million. As there is no confirmation of this fund continuing this has not been continued beyond this time.

17. As part of the covid recovery funds the Combined Authority has been awarded £2.8 million for Home to School/Colleges transport funding. This funding has been awarded to Local Authorities and colleges to allow them to continue to offer transport services to pupils whilst observing social distancing requirements.
18. The Authority received £0.8 million funding to further develop the business case for the A689 improvements which has been submitted to DfT.

Reprofiling

19. The outturn for 2020/21 is £43.1 million which, after taking account of additional funding, will provide an underspend of £1.1 million against the previously forecasted outturn this was a result of various minor underspends on project development stages.
20. The projects approved by Cabinet previously are now entering detailed business case and development work with delivery on several projects due to commence within the next 12 months. As these projects move through the development stage a more defined expenditure profile will develop.

Investment Plan Update

21. The The impact of Covid-19 has been significant on the aviation industry across the country with extended periods of time without passengers and flights. UK airports are set to lose at least £2.6billion in revenue in summer 2021 alone according to the Airport Operators Association, a body representing airports across the country. The operational impact of Covid-19 on the Airport requires the necessary support to ensure the delivery of the 10-year business plan. This investment plan refresh proposes an additional allocation of £10m over 2 years for Teesside International Airport to enable the Airport to stay on track for its recovery plan, in spite of the ongoing global pandemic taking place over the past 18 months.
22. Due to securing external development funding, £4.7 million has been identified for allocation to support Covid recovery priorities. The net movement on the Investment Pan refresh items, from Airport funding proposals less identified savings, is therefore £5.3 million as shown in the Transport table above.

Education, Employment & Skills

Investment Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	6,172	12,791	5,000	5,000	5,000	20,000	53,963
Consolidation (App B)	41,669	43,930	34,267	31,595	30,613	126,514	308,588
Adjustments for Funding Changes (table 2)	0	0	0	0	0	0	0
Investment Plan Refresh	0	-2,532	-702	-982	0	0	-4,216
Reprofiling	-3,840	6,334	1,573	0	0	-4,067	0
TOTAL	44,001	60,523	40,138	35,613	35,613	142,447	358,335

23. A detailed breakdown of all consolidated items that were previously held outside of the investment plan is provided at **Appendix B**.

Reprofiling

24. The outturn for 2020/21 is £44.0 million which has resulted in an underspend of £3.8 million against the previously forecasted outturn.
25. During the first half of the academic year payments relating to Adult Education Budget were lower than previously forecast (£2 million), this has therefore slipped into the second half of the academic year and into 2021/22 financial year.
26. Within the Education, Employment and Skills programme underspends have arisen due to delayed confirmation of external funding, delayed mobilisation, and re-assessing requirements to provide assistance in the covid recovery programme.

Investment Plan Update

27. Through savings in projects outside of the current Investment Plan, £4.2m has been identified for allocation to Covid recovery priorities.

Business Growth

Investment Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	51,025	37,212	20,920	5,557	3,597	13,923	132,234
Consolidation (App B)	33,759	103,354	27,411	2,716	833	833	168,906
Adjustments for Funding Changes (table 2)	8	1,312	700	638	0	0	2,658
Investment Plan Refresh	0	0	5,000	0	0	0	5,000
Reprofiling	-20,244	14,192	-242	5,829	0	465	0
TOTAL	64,548	156,070	53,789	14,740	4,430	15,221	308,798

28. A detailed breakdown of all consolidation items that were previously held outside of the investment plan is provided at **Appendix B**.

Adjustment for Funding Changes

29. In February the Combined Authority was awarded additional BEIS Growth Hub funding for 2021/22 of £0.5 million to enable continuation of the Cluster model and provide certainty in the short term that Growth Hubs have the necessary resources to provide much needed targeted local support and advice to businesses, as they face the challenges presented by the COVID-19 pandemic.
30. Continuation funding for the Peer Network was secured for 2021/22 of £0.2 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.

31. In order to establish the appropriate levels of administrative resources to manage governance arrangements and develop Business case for the Freeport £2.0 million was allocated by the Authority.

Reprofiling

32. The outturn for 2020/21 is £64.5 million which after taking account of additional funding will provide an underspend of £20.2¹ million against the previously forecasted outturn.
33. South Tees Development Corporation has accelerated funding throughout the later part of the year aided by securing additional Government funds. To maximise the use of Government funding in 2020/21 the Combined Authorities' allocation has been moved to fund delivery in 2021/22, this has resulted in an £10.8 million underspend in 2020/21.
34. Expenditure within the Business Growth Programme saw an underspend of £3.8 million against forecast. The Capital Grant scheme has seen the funding committed to projects, but the businesses are yet to draw down on their funds resulting in slippage into 2021/22. Minor underspends on other parts of the programme have been carried forward into future years.
35. The impact of Covid has restricted spend on the advanced funds for the Stockton High Street project resulting in an underspend of £1 million. The full business case has now been submitted and the slippage is factored into the spending plans in 2021/22.
36. An underspend of £0.9 million occurred on the Welcome to Redcar & Cleveland programme from the approved business case position, which has been rolled into 2021/22.

Investment Plan Update

37. An additional £5m allocated for SME Capital Grant Scheme is proposed to support businesses to recover and grow following the impact of Covid-19.

Culture & Tourism

Investment Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	3,075	17,316	19,189	11,125	9,043	0	59,748
Consolidation (App B)	444	423	245	340	0	650	2,102
Adjustments for Funding Changes (table 2)	0	0	0	0	0	0	0
Investment Plan Refresh	0	0	0	0	0	0	0
Reprofiling	-852	1,556	-704	0	0	0	0
TOTAL	2,667	19,295	18,730	11,465	9,043	650	61,850

¹ Balance of £3.7m is made up of smaller slippages across the theme.

38. A detailed breakdown of all consolidated items that were previously held outside of the investment plan is provided at **Appendix B**.

Reprofiling

39. The outturn for 2020/21 is £2.7 million which has resulted in an underspend of £0.9 million against the previously forecasted outturn because of reduced spend on development for Darlington & Stockton Railway Heritage which has been re-profiled into 2021/22.

Investment Plan Update

40. No Change.

Innovation & Clean Growth

Investment Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	1,704	8,527	6,234	1,338	618	1,577	19,998
Consolidation (App B)	2,400	737	373	373	0	9,250	13,133
Adjustments for Funding Changes (table 2)	45	53,590	435	0	0	0	54,070
Investment Plan Refresh	0	0	0	0	0	-9,250	-9,250
Reprofiling	-2,499	5,820	-3,149	-172	0	0	0
TOTAL	1,650	68,674	3,893	1,539	618	1,577	77,951

41. A detailed breakdown of all consolidated items that were previously held outside of the investment plan is provided at **Appendix B**.

Adjustment for Funding Changes

42. As the lead organisation for the North East, Yorkshire and Humber Energy (NEYH) Hub, the Combined Authority has been awarded £53.2 million grant from BEIS for the Green Homes Local Authority Delivery (LAD) phase 2 programme. This will be delivered by the 31 Local Authorities that make up the NEYH region. The programme requires delivery by December 21 and is co-ordinated by TVCA on behalf of Government for the NEYH region. The Energy Hub board oversee the delivery of the programme and monthly performance against the business plans submitted by the local authorities is monitored and reported through to the board and TVCA directors prior to submission to BEIS.
43. The Energy Hub has also received additional funding of £0.9 million until March 2023 to carry on delivering the service throughout the region.

Reprofiling

44. The outturn for 2020/21 is £1.7 million which after taking account of additional funding will provide an underspend of £2.5 million against the previously forecasted outturn, the majority of which was a result of delays to the Hydrogen Refuelling Stations project

(£1.4 million). In addition to this there were underspends within the energy hub of £0.5 million which have been rolled forward to deliver activity within 2021/22.

Investment Plan Update

45. Through savings in projects outside of the Investment Plan, £9.25m has been identified for allocation to Covid recovery priorities.

Place

Investment Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	6,488	16,601	25,291	11,008	0	0	59,388
Consolidation (App B)	4,946	7,246	5,353	2,300	0	0	19,845
Adjustments for Funding Changes (table 2)	0	0	0	0		0	0
Investment Plan Refresh	0	-563	4,507	5,000	0	0	8,944
Reprofiling	-6,582	11,112	-6,628	736	1,362	0	0
TOTAL	4,852	34,396	28,523	19,044	1,362	0	88,177

46. A detailed breakdown of all consolidated items that were previously held outside of the investment plan is provided at **Appendix C**.

Reprofiling

47. The outturn for 2020/21 is £4.9 million which after taking account of additional funding will provide an underspend of £6.6 million against the previously forecasted outturn.

48. It was originally forecast that the Brownfield Housing Grant would be expended in line with the profile of funding received. However, this was not possible in the timescale for £4 million has been carried forward to deliver schemes in 2021/22.

49. An additional £2.1 million underspend is a result of call off projects from the Indigenous Growth Fund programme slipping into 2021/22. Development of projects under this programme are beginning to accelerate and expenditure is due to increase significantly in the next 12 months.

Investment Plan Update

50. An additional allocation of £10m is proposed for the Indigenous Growth Fund to enhance place-based regeneration and allow Local Authorities to support their Covid recovery plans alongside any allocations they receive directly from Government.

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

Concessionary Fares

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	16,203	16,203	16,203	16,203	16,203	64,813	145,828
Adjustments for Funding Changes (Table 2)	-357	-218	-218	-218	-218	-870	-2,099
Reprofiling	0	0	0	0	0	0	0
TOTAL	15,846	15,985	15,985	15,985	15,985	63,943	143,729

51. 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 of £0.4 million for 2020/21 against the forecasted outturn.

52. The agreed contributions for 2021/22 have resulted in a reduction of £0.2 million, which has been replicated across the remaining years of the investment plan period.

Commercial Projects

53. The commercial projects section of the MTFP contains two projects currently Southside Development at Teesside International Airport and the Tees Valley Waste project loan to the constituent Local Authorities in respect of procurement costs that will begin to be recovered once the project is live.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	3,509	17,225	8,259	623	775	311	30,702
Adjustments for Funding Changes (Table 2)	0	0	0	0		0	0
Reprofiling	-1,010	-11	546	-148	-152	775	0
TOTAL	2,499	17,214	8,805	475	623	1,086	30,702

54. Commercial projects returned an underspend of £1.0 million against previously forecasted outturn as a result of slower than expected expenditure on the Southside Development at the airport.

Research and Evaluation

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	123	152	165	0	0	0	440
Adjustments for Funding Changes	0	0	0	0	0	0	0
Reprofiling	42	-2	-40	0	0	0	0
TOTAL	165	150	125	0	0	0	440

55. To assess impact and inform future funding requirements a budget for research and evaluation was set aside. This includes the expenditure associated with the Government Gateway evaluation which was carried out by SQW.

CORE COSTS

56. The table below sets out the outturn position of core costs for 2020/21.

Core costs	Budget	Outturn	Variance
Salaries (incl Ni & Pension)	3,899,945	3,832,863	67,082
Other Staffing Costs	15,000	35,714	-20,714
Total Staff Costs	3,914,945	3,868,577	46,368
Premises	335,000	319,360	15,640
General Running Costs	402,967	452,990	-50,023
Marketing & Communications	160,000	165,766	-5,766
Non-Salary Expenditure	897,967	1,023,116	-40,149
TOTAL EXPENDITURE	4,812,912	4,806,693	6,219

57. Overall, the core running costs of the Authority are showing an underspend against the budget of £6k.

58. An initial reorganisation has taken place within the year which has led to some early retirement and redundancy costs. These additional costs have been absorbed in year from the savings from the reorganisation and other staffing savings from vacant posts during the year because of a slowdown in recruitment for part of the year due to Covid.

59. 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.

60. Within the general running costs there has been some increased expenditure on professional fees to provide specialist advice where required and development of a new IT business solution, this has been partly offset by savings from staff related expenses.

COST OF BORROWING

61. 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 (MRP) 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.
62. 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. As part of prudent financial planning the Authority is required to set aside MRP for the repayment of debt. This has been reviewed considering current delivery profiles and subsequent debt requirement. Following this analysis, the required cost of borrowing has increased by £9.3 million in the investment plan period.

FUNDING INCOME

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

Summary

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	220,606	353,226	260,646	128,753	105,493	448,279	1,517,003
Funding Adjustments	1,675	60,099	11,576	951	-4,983	-11,564	57,754
Reprofiling	-36,129	43,605	-8,767	5,713	999	-5,421	0
TOTAL	186,152	456,930	263,455	135,417	101,509	431,294	1,574,757

Breakdown

Revised Funding Forecast	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Local Growth Fund	14,217	0	0	0	0	0	14,217
Devolution	15,000	15,000	15,000	15,000	15,000	60,000	135,000
Enterprise Zones	2,300	5,172	5,451	5,562	5,882	25,080	49,447
Transforming Cities Fund	18,000	24,000	37,556	6,400	4,376	58,768	149,100
Loan Repayments & Investment returns	691	3,296	3,863	2,678	4,874	9,413	24,815
Government Grants	46,193	182,228	45,150	20,481	12,793	45,010	351,855
Adult Education Budget	28,651	35,362	32,645	30,613	30,613	122,450	280,334
Local Transport Plan	13,930	11,336	11,336	11,336	11,336	45,344	104,618
Concessionary Fares	15,846	15,985	15,985	15,985	15,985	63,943	143,729
Borrowing	33,243	116,716	72,772	27,166	333	0	250,230
Movement -to / from reserves	-1,919	47,835	23,697	196	317	1,286	71,412
Total	186,152	456,930	263,455	135,417	101,509	431,294	1,574,757

64. Since the last report to the Combined Authority additional funding has been secured to deliver specific projects and programmes over the period. This has resulted in changes to the total income.

65. A reconciliation of these changes is provided below with all values shown representing the total additional allocations over the investment plan. Further details of the direct scheme related funding are provided in the relevant expenditure sections of the report.

	Total
	£'000
Total Funding last reported to Cabinet	1,517,003
Government Grants	50,483
Concessionary Fares	-2,098
Loan Repayments & Investment returns	-6,032
Borrowing Required	15,401
TOTAL FUNDING	1,574,757

66. A review of all investment returns over the period was undertaken and forecasts have been calculated based on revised reduced interest rates and a prudent approach to the probability of these returns.

67. The borrowing requirement has been recalculated considering the revised expenditure and income figures, which has led to an increase in borrowing of £15.4 million to deliver the investment plan.

RESERVES

68. 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.

69. In 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 investment plan period to support the delivery of the investment plan, as set out in the table in paragraph 61.

70. 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

71. 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 D**.

72. Within the MTFP period the total CFR to deliver the Investment Plan and fund commercial projects is £249.9 million as part of a wider borrowing requirement of £250.2 million to 2025, details of which can be found at **Appendix D**.

73. Adding the above borrowing requirement to the balance carried forward for borrowing gives a revised borrowing level of £292.2m. This is well within the Government agreed borrowing caps of £774 million. The revised total borrowing requirement of £292.2 million represents an increase of £15.4 million from the previously forecast requirement, which is as result of accelerated spend to provide investment to aid the Covid recovery plan.

74. 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

75. 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 E**.

FINANCIAL IMPLICATIONS

76. 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

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

RISK ASSESSMENT

78. This Budget Report has been re-categorised as medium risk to reflect the updated work on the implementation of our group risk management strategy. The group corporate risk register has been updated to reflect funding uncertainty from Government. The Combined Authority has made submissions and representations to Government on UK Shared Prosperity and Levelling Up funding and will continue this dialogue into the next comprehensive review round this autumn. The existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

79. Tees Valley Management Group, Chief Executives and the Local Enterprise Partnership have been consulted on this report.

EQUALITY & DIVERSITY

80. There are no equality and diversity implications associated with the recommendations in this report. Specific proposals associated with business cases and Investment Plan funding draw down will consider these implications where applicable.

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Consolidation Reconciliation

	Opening Balance	Less 2019/20	2020-29	Consolidate to Investment Plan	Non-Investment Plan Headings Adjustments	Revised Opening Balance
	£'000	£'000	£'000	£'000	£'000	£'000
Transport	246,062	-50,095	195,967	152,471	0	348,438
Education, Employment & Skills	55,000	-1,037	53,963	308,588	0	362,551
Business Growth	146,500	-14,266	132,234	168,906	0	301,140
Culture & Tourism	60,000	-252	59,748	2,102	0	61,850
Innovation & Clean Growth	20,000	-2	19,998	13,133	0	33,131
Place	60,638	-1,250	59,388	19,845	0	79,233
Investment Plan Total	588,200	-66,902	521,298	665,045	0	1,186,343
Adult Education	296,270	-15,936	280,334	-280,334	0	0
Pass-through budgets (Transport)	301,697	-30,499	271,198	-125,370	-145,828	0
Other Approved Projects	326,806	-36,323	290,483	-259,341	-31,142	0
Concessionary Fares	0	0	0	0	145,828	145,828
Commercial Projects	0	0	0	0	30,702	30,702
Research & Evaluation	0	0	0	0	440	440
Core Running Costs	49,932	-4,815	45,117	0	0	45,117
Costs of Borrowing	109,961	-1,388	108,573	0	0	108,573
TOTAL EXPENDITURE	1,672,866	-155,863	1,517,003	0	0	1,517,003

Consolidation Detail

This table sets out the projects that previously sat outside the investment plan and have now been consolidated up into it by the theme that they have been allocated into.

Project	Transport	Education Employment & Skills	Business Growth	Culture & Tourism	Innovation & Clean Growth	Place
	£'000	£'000	£'000	£'000	£'000	£'000
Total Adult Education Budget	0	280,334	0	0	0	0
Local Transport Plan	125,370	0	0	0	0	0
Total Pass-through budgets (Transport)	125,370	0	0	0	0	0
A689 Wynyard Improvement	2,191	0	0	0	0	0
Access Fund	1,137	0	0	0	0	0
Covid Bus Services	207	0	0	0	0	0
Emergency Travel Fund	482	0	0	0	0	0
Hartlepool Western Growth Corridor	3,108	0	0	0	0	0
Middlesbrough Rail Station	12,142	0	0	0	0	0
Pothole Action Fund	6,891	0	0	0	0	0
Sustainable Access to Employment Programme	472	0	0	0	0	0
Travel Demand Management	150	0	0	0	0	0
EES Strategy: Apprentices	0	2,117	0	0	0	0
EES Strategy: Creating a TV Careers & Enterprise Initiative	0	1,960	0	0	0	0
EES Strategy: Routes to Work	0	5,057	0	0	0	0
EES Strategy: Supporting education innovation and collaboration	0	2,000	0	0	0	0
EES Strategy: TBC	0	1,684	0	0	0	0
EES Strategy: Workforce Planning Support	0	3,114	0	0	0	0
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	0	281	0	0	0	0
Hartlepool Innovation Skills Quarter Phase 2	0	3,694	0	0	0	0
Kickstart Funding	0	3,344	0	0	0	0
Kirkleatham Walled Garden & Catering Academy	0	318	0	0	0	0
One Vision Pilot	0	293	0	0	0	0
Skills Analyst	0	125	0	0	0	0
Sustaining 16+ Facilities Capital	0	2,532	0	0	0	0
YEI Extension	0	1,735	0	0	0	0
Back to Business Fund	0	0	1,230	0	0	0
BEIS Business Compass	0	0	462	0	0	0
BEIS Peer to Peer	0	0	360	0	0	0
Billingham Bio-Pharmaceutical Campus	0	0	916	0	0	0
Brexit Preparation Fund	0	0	248	0	0	0
Broadband	0	0	443	0	0	0
Business Support Package	0	0	5,000	0	0	0
Central Park	0	0	3,650	0	0	0
Delivering Sector Action Plans Programme	0	0	1,608	0	0	0
ERDF Business Compass	0	0	1,074	0	0	0

Project	Transport	Education Employment & Skills	Business Growth	Culture & Tourism	Innovation & Clean Growth	Place
	£'000	£'000	£'000	£'000	£'000	£'000
ERDF Business Growth Fund	0	0	8,789	0	0	0
ESIF Technical Assistance	0	0	72	0	0	0
ERDF Energy Efficiency	0	0	1,184	0	0	0
Ingenium Park - Phase 1	0	0	195	0	0	0
Local Industrial Strategy	0	0	242	0	0	0
One Public Estate	0	0	255	0	0	0
South Tees Development Business Case	0	0	124,556	0	0	0
SSI – Capital Grant Scheme	0	0	1,531	0	0	0
SSI – Devolved Pot	0	0	4,299	0	0	0
SSI - Redcar Growth Zone	0	0	5,000	0	0	0
Teesworks Gateway	0	0	4,100	0	0	0
Culture Programme	0	0	0	202	0	0
Culture: City games	0	0	0	1,576	0	0
Culture: Rugby League World Cup Bid	0	0	0	165	0	0
Great Places	0	0	0	134	0	0
Museum of the Royal Navy	0	0	0	25	0	0
Carbon Capture & Storage Development	0	0	0	0	93	0
Innovation Project	0	0	0	0	9,250	0
Energy Network (North East and Humber)	0	0	0	0	1,189	0
Low Carbon Action Plan Development	0	0	0	0	43	0
Rural Energy Fund	0	0	0	0	1,560	0
Teesside University National Horizons Centre	0	0	0	0	707	0
TVCA Hydrogen Transport Deployment Bid	0	0	0	0	24	0
SSI Programmes	0	0	2,421	0	0	0
Covid	0	0	850	0	0	0
Brownfield Housing	0	0	0	0	0	19,845
Darlington Northern Link Road	271	0	0	0	0	0
Darlington Sports Village	0	0	83	0	0	0
District Heating Commercialisation Stage	0	0	0	0	217	0
Faverdale (Phase 1)	0	0	50	0	0	0
Full Fibre Network	0	0	33	0	0	0
Kirkleatham Estate Investment Project	0	0	255	0	0	0
Redcar Railway Station	50	0	0	0	0	0
Waste Strategy	0	0	0	0	50	0
Total Other Approved Projects	27,101	28,254	168,906	2,102	13,133	19,845
TOTAL	152,471	308,588	168,906	2,102	13,133	19,845

Investment Plan Reconciliation 2020 - 2029

	Transport	Education Employment & Skills	Business Growth	Culture & Tourism	Innovation & Clean Growth	Place	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Integrated Transport Plan	169,472	0	0	0	0	0	169,472
Teesside International Airport	26,495	0	0	0	0	0	26,495
Northern School of Art	0	13,477	0	0	0	0	13,477
Education, Employment & Skills Programme	0	40,486	0	0	0	0	40,486
Business Growth Programme	0	0	29,949	0	0	0	29,949
South Tees Development Corporation	0	0	43,385	0	0	0	43,385
Boho X	0	0	18,900	0	0	0	18,900
Welcome to Redcar & Cleveland	0	0	20,000	0	0	0	20,000
Stockton High Street	0	0	20,000	0	0	0	20,000
Creative Place Programme	0	0	0	19,748	0	0	19,748
Hartlepool Waterfront	0	0	0	20,000	0	0	20,000
Darlington & Stockton Railway Heritage	0	0	0	20,000	0	0	20,000
Innovation & Clean Growth Programme	0	0	0	0	19,998	0	19,998
Indigenous Growth Fund	0	0	0	0	0	48,750	48,750
Car Parking	0	0	0	0	0	10,638	10,638
Total Budget	195,967	53,963	132,234	59,748	19,998	59,388	521,298
Consolidation (App C)	152,471	308,588	168,906	2,102	13,133	19,845	665,045
Adjustments for Funding Changes (table 2)	-11,948	0	2,658	0	54,070	0	44,780
Investment Plan Refresh	5,317	-4,216	5,000	0	-9,250	8,944	5,795
INVESTMENT PLAN TOTAL	341,807	358,335	308,798	61,850	77,951	88,177	1,236,918

Borrowing

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	33,243	116,716	72,772	27,166	333	0	250,230
	MTFP Period Total			249,897			

	2020/21	2021/22	2022/23	2023/24	2024/25	2024/25 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	33,243	116,716	72,772	27,166	333	0	250,230
Internal Borrowing	-33,243	-40,708	20,000	15,000	15,000	36,444	12,493
External Borrowing	0	76,008	92,772	42,166	15,333	36,444	262,723

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Minimum Revenue Provision	1,252	2,243	5,480	7,601	8,520	62,269	87,365
Loan Interest	801	778	2,151	3,798	4,454	18,504	30,486
	MTFP Period Total			24,104			117,851

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	154,828	292,379	166,986	108,055	722,248
Borrowing	33,243	116,716	72,772	27,166	249,897
TOTAL FUNDING	188,071	409,095	239,758	135,221	972,145
Investment Plan	160,782	415,189	226,133	102,702	904,806
Concessionary Fares	15,846	15,985	15,985	15,985	63,801
Commercial Projects	2,499	17,214	8,805	475	28,993
Research & Evaluation	165	150	125	0	440
Core Running Costs	4,807	5,419	4,813	4,813	19,852
Costs of Borrowing	2,053	2,973	7,594	11,442	24,062
TOTAL EXPENDITURE	186,152	456,930	263,455	135,417	1,041,954
TRANSFER TO / FROM RESERVES	1,919	-47,835	-23,697	-196	-69,806
Reserves Opening Balance	71,412	73,331	25,496	1,799	
Transfer To / From Reserves	1,919	-47,835	-23,697	-196	
RESERVES CLOSING BALANCE	73,331	25,496	1,799	1,603	