

AGENDA ITEM 6**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****28th JANUARY 2022****REPORT OF THE GROUP DIRECTOR
OF FINANCE AND RESOURCES****ADOPTION OF INVESTMENT PLAN, BUDGET 2022-23 AND MEDIUM-TERM
FINANCIAL PLAN****SUMMARY**

The TVCA constitution requires that the Combined Authority annually sets out proposals for allocation of resources in an Investment Plan, which must be formally adopted by Cabinet each year. The current Investment Plan covers the period from 1 April 2019 to 31 March 2029. Where the annual Investment Plan proposal involves changes to funding priorities or commitments to projects and proposals already agreed, unanimous approval of Cabinet is required to enact the change.

The Group Chief Executive and Group Director of Finance and Resources submitted a draft budget to Cabinet on November 27th 2020 for consideration and approval for the purposes of consultation. The Budget provides the financial framework within which the Combined Authority will operate in the forthcoming financial year (2021-2022) and over the medium term.

The consultation process has now been completed, including consultation with Overview and Scrutiny Committee (O&SC) Members, the O&SC Members report is included within this report at **Appendix 4**. The Local Authority Chief Executives, Tees Valley Management Group and Tees Valley Directors of Resources have scrutinised the proposed Budget. The Draft Budget has been amended to reflect the feedback received and this report presents the revised final Budget proposal 2021-22.

In accordance with the statutory requirements, the budget shall separate Non-Investment plan expenditure into:

- Expenditure on the Mayor's General Functions; and
- Expenditure on Combined Authority Functions.

This report includes the high-level financial allocations within the Investment Plan and provides the final budget for 2022-23. There are no expenditure items on the Mayors General Functions within this paper.

RECOMMENDATION

- i. It is recommended the Combined Authority Cabinet agrees the high-level financial allocations for the Investment Plan and considers and approves the final Budget for 2022-23 including all associated activity listed in this report;
- ii. Note the pay policy statement 2022-23 (**Appendix 5**).

DETAIL

This report provides details of the high-level financial allocations within the Investment Plan and provides the final Budget to Cabinet for consideration and approval.

BUDGET SUMMARY

1. There is one change to the Investment Plan and that is to incorporate the announcement in the Governments comprehensive spending review for the new City Region Sustainable Transport Settlement for 2022-27 and update the assumptions based on this for 2027-29.
2. Outside of the Investment Plan the development of the South Bank Quay has been incorporated into the Commercial section of the budget following agreement with the UK Infrastructure bank, which has increased the costs of borrowing over the period fully funded by returns.
3. A proposed increase in core allocation is included in the budget as a result of increased investment to ensure sufficient resources are available to effectively support the deliver of this investment.
4. This report sets out the Budget for 2022-23 and the medium-term financial plan (MTFP) for the period to March 2026 (the Budget). The Budget presents all forecast funding and expenditure for the plan period.
5. There is no expenditure relating to Mayor's General Functions and no precepts are proposed in relation to this. All expenditure is designated at relating to Combined Authority Functions.
6. For the MTFP period, the Authority will have a total of £844.6 million available funding resources. This comprises £626.4 million funding to be received in the period and £218.2 million of borrowing. In addition to this the Authority will utilise £52.1 million of usable reserves during the period

Comprehensive Spending Review 2021

7. The allocations for the new City Region Sustainable Transport Settlement (CRSTS) were announced within the Budget presented to Parliament in October. Following a successful bid to DfT the Authority has been awarded £310 million to invest in improving the quality of local transport networks over a 5-year period commencing in 2022/23.
8. Details around the settlement are yet to be finalised however based on dialogue with DfT it is assumed that:-
 - This includes the current annual funding for the Integrated Transport Block and Highways Maintenance Fund, including the pothole action fund and;
 - Incorporates the final year of the Transforming Cities Fund (TCF) into the CRSTS.
9. Taking the above into account and the previous investment plan assumption that TCF would continue beyond 2022/23 at a rate of £15.1 million per annum, this results in an additional £176.4 million of funding above previous levels included within the Investment Plan over this settlement period ending 2026/27.
10. Within the Spending Review Government committed more than £2.6bn for the UK Shared Prosperity Fund (UKSPF) over the next three years. This is the successor to the EU Structural Fund programme (ESIF) and will better tailor funding to local needs across the UK. The UKSPF will rise to £1.5bn a year by 2024-25 which will match previous national ESIF allocations. We are awaiting confirmation from Government on how this fund will be allocated and administered, once this is received the budget will be updated to reflect the implications for the Authority's investment plan.
11. Within the budget the Teesside Freeport was confirmed by the Chancellor. The full business case is currently being developed for submission to Government in January which will unlock the seed funding for the site development. Once formal confirmation of approval of the business case is received the funding will be incorporated into the investment plan.

COVID-19 Recovery and Future Growth

12. Throughout the pandemic, the Combined Authority worked with partners to support businesses and communities to manage the economic impacts of Covid-19. Our interventions were based on economic analysis and local intelligence that enabled us to identify and respond to local needs. A Covid recovery plan was developed focused on priority themes of:
 - Confident people, confident business
 - Education Skills and Jobs
 - Agile Companies and Competitive Workers
 - Building Blocks for Growth
 - Bringing Business Home
13. The plan remained a live document from Summer 2020-Summer 2021, which enabled us to target support at areas of greatest need. The Investment Plan Refresh approved by Cabinet in July 2021 reflected latest Covid analysis.
14. As the economy has re-opened, the Combined Authority has focused on supporting recovery, building resilience and driving future growth. This is reflected in our

spending proposals included within this report. The future focus of our activity will also support Levelling-up of the Tees Valley economy. It will support the development of key clusters that enable our businesses and communities to thrive – creating jobs and increasing productivity

COP26, Net Zero and Clean Growth

15. The [COP26 goals](#) for climate change have been discussed at length throughout the conference and are as follows: -
 - Secure global net zero by mid-century and keep 1.5 degrees within reach
 - Adapt to protect communities and natural habitats
 - Mobilise finance
 - Work together to deliver
16. The UK Government Committee on Climate Change (“the Committee”) is advising that the UK set its [Sixth Carbon Budget](#) (i.e. the legal limit for UK net emissions of greenhouse gases over the years 2033-37) to require a reduction in UK emissions of 78% by 2035 relative to 1990, a 63% reduction from 2019. This will be a world-leading commitment, placing the UK decisively on the path to Net Zero by 2050 at the latest, with a trajectory that is consistent with the Paris Agreement.
17. The Committee commissioned three reports: -
 - [Policy report](#) – Setting out the key strategic policies for the Sixth Carbon budget and Net Zero
 - [Advice report](#) – With four main parts covering; the path to Net Zero, Impacts of this path on the sixth Carbon Budget, International and Scientific Circumstances and Budget recommendations
 - [Methodology report](#) – approach to the sixth carbon budget, sector specific methodologies and the carbon budget datasets
18. The sectors referred to in the sixth carbon budget were as follows: -
 - Surface transport
 - Buildings
 - Manufacturing and construction
 - Electricity generation
 - Fuel supply
 - Agriculture and land use, land-use change and forestry (LULUCF)
 - Aviation & Shipping
 - Waste
 - F-gases
 - Greenhouse gas removals
19. Whilst COP26 has only recently concluded the ambition for the Tees Valley to play its part in the UK’s contribution to Net Zero has been pressing forward significantly with key initiatives already launched and supported including: -
 - Net Zero Teesside
 - Northern Endurance Partnership
 - East Coast Cluster
 - Hydrogen hub
 - Teesside Offshore Manufacturing Centre
 - South Bank Quay

- General Electric Renewables
- North East, Yorkshire and Humber Energy Hub led by Tees Valley
- Green Homes Grant
- Brownfield Housing

20. The 2022-23 Budget and 2021-29 Investment Plan incorporates strategic allocations that cut across large areas of the Climate Change Committee sectors listed at paragraph 16. These allocations will be used to continue leveraging Government and private sector investment across the Tees Valley to support clean innovative growth leading to the Tees valley's ambition to be the UK's first decarbonised industrial cluster including throughout the wider supply chains.

EXPENDITURE

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

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	74,959	102,724	62,424	62,250	62,250	186,250	550,857
Education, Employment & Skills	47,749	39,061	37,279	37,279	37,279	111,835	310,482
Business Growth	160,145	57,898	17,903	12,094	2,938	9,501	260,479
Culture & Tourism	14,074	19,710	17,845	7,057	650	338	59,674
Innovation & Clean Growth	59,129	14,636	2,180	1,701	0	50	77,696
Place	16,637	30,914	13,907	10,046	6,000	6,000	83,504
Investment Plan Total	372,693	264,943	151,538	130,427	109,117	313,974	1,342,692
Concessionary Fares	15,985	15,985	15,985	15,985	15,985	47,958	127,883
Commercial Projects	33,994	63,205	37,738	623	775	323	136,658
Research & Evaluation	21	125	100	0	0	0	246
Core Running Costs	5,419	5,294	5,294	5,894	5,294	16,482	43,677
Costs of Borrowing	3,151	5,310	10,802	16,801	19,454	70,598	126,116
TOTAL EXPENDITURE	431,263	354,862	221,457	169,730	150,625	449,335	1,777,272

22. As reported during the year as part of the quarterly MTFP updates 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 which have been incorporated into the above table.

23. In addition to the previously reported changes the below table sets out changes over the full investment plan period since the quarter 2 report as at the end of September.

	Transport	Commercial	Core Costs	Costs of Borrowing	Total
	£'000	£'000	£'000	£'000	£'000
City Region Sustainable Transport Settlement 2022-27	176,400	0	0	0	176,400
City Region Sustainable Transport Settlement 2027-29	67,548	0	0	0	67,548
South Bank Quay	0	106,700	0	0	106,700
Proposed Increase In Core Allocation 2022-29	0	0	3,367	0	3,367
Costs of Borrowing	0	0	0	16,493	16,493
	243,948	106,700	3,367	16,493	370,508

Tees Valley Investment Plan

24. At Cabinet in July 2021 members approved the revised formatting of the investment plan which incorporated specific projects and programmes, that specific funding had been secured to deliver, into the investment plan. These projects are 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.

25. As business cases for projects and programmes have been developed the expenditure profile has become more certain and that is reflected in this revised budget.

Transport

Investment Plan	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	74,959	102,724	62,424	62,250	62,250	186,250	550,857

26. The Tees Valley Strategic Transport Plan (STP) was adopted in January 2020 and provides the framework for investment into transport projects with the aim of providing “a high-quality, quick, affordable, reliable, low carbon and safe transport network for people and freight to move within, to and from Tees Valley”.

27. The Authority submitted a bid into the City Region Sustainable Transport Settlement (CRSTS) in early September 2021. The bid set out how we need to deliver a world-class transport system at pace to underpin our transformative economic growth ambition. The Government has announced that TVCA has been allocated £310 million for the five-year period from 2022/23. Further details of the proposed project within the settlement will be reported to Cabinet in due course for the programme.
28. The CRSTS period concludes in 2026/27, 2 years prior to the end of the Investment Plan period. For investment planning purposes it has been assumed that the equivalent level of funding will be available for investment within these final 2 years, however this will not be committed to until confirmation of funding is received.

Transforming the Tees Valley Rail System

29. The transformation of the Tees Valley rail system will provide:
- a modern 'metro style' passenger rail system with an aspiration for a minimum 30-minute service frequency at every station so that passengers can turn up and go; and
 - capacity for freight growth linked to Teesworks and the Freeport.
30. Cabinet has previously approved significant funding to develop strategic rail infrastructure projects that will unlock network capacity, and this forms a significant element of the Integrated Transport Plan. A total of £49 million (£46 million within this report period) has been earmarked as TVCA's contribution to major transformation projects at Darlington, Middlesbrough and Hartlepool stations and this sum is expected to leverage £100 million of additional funding.
31. The Darlington Station Outline Business Case (OBC) has been submitted to Government and £8.7 million of funding secured to develop the detailed design and Full Business Case (FBC). Planning approval has been secured for the station gateways and progress is being made on acquiring the land needed to deliver the scheme. There is a need to secure the remaining funding for delivery from the Department for Transport (DfT) in summer 2022, with construction due to commence soon after and the project completing by May 2024.
32. The Middlesbrough Station funding package has been secured through contributions from TVCA, DfT and the Getting Building Fund. Phase 1 of the project, the extension of platform 2, started on site in December 2020 and completed in May 2021. Development work has progressed on the other phases of the project, including redevelopment of the station undercroft and the new platform 3. Redevelopment of the undercroft is due to start on site in December 2021 with completion by December 2022. The new platform 3 is due to start on site in early 2022 with completion by December 2022.
33. Hartlepool Station project will see the reinstatement of a second through platform to improve capacity and resilience on the Durham Coast Line facilitating future growth

in services. The project is also seeking to provide a second access to the station linking to the marina. To date, Cabinet has only approved development funding of £1.5 million, of which £1.4 million is within the period covered by this report, to complete the detailed design and an FBC.

34. The Eaglescliffe Station project (£8 million investment) will provide a new fully accessible pedestrian footbridge. This includes a new connection to the western side and replacement of the existing bridge to the eastern side. The project also includes a new 120 space car park and other highway access improvements on the western side. The programme has a start on site in early 2022 with completion in 2023.
35. Teesside International Airport Development work incorporates the current service of 1 train per week. However, due to rail capacity constraints it is proving difficult to identify opportunities for service enhancement until after completion of the Darlington Station project in 2024. Work is underway to identify any immediate urgent works required to maintain the current service whilst wider Airport infrastructure priorities are being developed as part of the overall £5.9 million approved over the Investment Plan period.

Ensuring the Key Route Network can facilitate sustainable growth

36. The Key Route Network (KRN) is made up of the most important roads for growth and productivity. The KRN accounts for 22% of the total road network in the Tees Valley. There are specific locations that are already at capacity or are forecast to be over capacity by 2025. The consequence of taking no action will be a significant increase in congestion, which will negatively impact upon journey times, reliability and air quality, and threaten the economic transformation of the region.
37. The A19 New Tees Crossing OBC has been submitted to Government. They have requested additional evidence to further emphasise the importance of the scheme to wider priorities, specifically Teesworks and the Freeport. A decision is needed from Government to commit to the development of an FBC for the scheme, which National Highways would complete with a contribution from the Investment Plan of £35.5 million.
38. The A689 Corridor improvements OBC has been submitted to Government. The package consists of junction improvements along the corridor to address congestion and cycleway/footway improvements to create a traffic-free shared use route on the corridor from Sedgefield to Hartlepool. The total scheme cost is £40.8 million with a £6.4 million TVCA local contribution. A decision is needed from Government to commit to the development of an FBC for the scheme.

A shared commitment with the operators to transform Tees Valley bus services and grow passenger numbers

39. TVCA and the regional bus operators have a history of collaborative working. The National Bus Strategy, published in March 2021, sets out several requirements that must be met to be eligible for potential future funding to support bus provision:

- submit a Bus Service Improvement Plan (BSIP) by 31 October 2021. The BSIP should set out a vision for delivering a step-change in bus services;
 - implement an Enhanced Partnership (EP) Scheme by 31 March 2022. The EP plan must contain the detail of how the high-level vision and key interventions set out in the BSIP will be delivered.
40. TVCA is working with the bus operators and local authorities to develop the BSIP and a public consultation has been undertaken to help inform the ambitions, which are:
- decarbonisation – one of the first regions in the UK to have an entirely zero emission local bus fleet;
 - fares – simpler fares and targeted promotions to drive passenger growth;
 - customer experience – putting the needs of customers at the heart of service delivery and improving information provision with one brand identity;
 - infrastructure – new infrastructure investment to prioritise bus on core corridors and improve passenger experience; and
 - network – a collaborative approach focused on core corridors and integration with the Tees Flex on-demand bus service.
41. TVCA currently has £4 million, of which £3.9 million is within this report period, of funding to deliver the phase 1 investment package on the infrastructure priority, which is focussing initially on the following corridors:
- Redcar to Middlesbrough (mainly used by number 63 service);
 - Middlesbrough to Hartlepool via Stockton (mainly used by number 36 service); and
 - Branksome to Red Hall, Darlington (mainly used by number 2 service)
42. These corridors have been prioritised in phase 1 because of overlap with the Key Route Network and cycling and walking packages, and the need to ensure a joined-up approach.
43. The remaining BSIP ambitions will need to be funded by the potential funding allocation from Government, which is dependent on the strength and ambition of the document. It is anticipated that there will be a funding allocation to TVCA from 1 April 2022.

Making Cycling & Walking the natural choice for shorter journeys

44. TVCA has an approved Local Cycling and Walking Infrastructure Plan (LCWIP) setting out a long-term approach to developing a comprehensive Tees Valley cycling and walking network. The LCWIP is entirely consistent with the national ambition and has received positive feedback from Government. The plan is underpinned by analysis, which identifies the priorities for investment, with a focus on those corridors where there is the greatest potential to encourage people to walk or cycle to work, school or to access essential services.

45. The package will be complemented by a programme of activity to encourage cycling and walking, including personalised advice, training, better information and positive incentive programmes totalling £3.9 million in the period.
46. Delivery of the phase 1 investment package has been split into phases 1a and 1b. Phase 1a includes the two most-advanced schemes (Linthorpe Road in Middlesbrough and Woodland Road in Darlington), which are due to start on site in Q4 2021/22, with completion by summer 2022.
47. Phase 1b includes the other three schemes (A689 in Hartlepool, Norton Road in Stockton and Guisborough to Nunthorpe in Redcar & Cleveland). These schemes are progressing through outline design, consultation and detailed design and are on programme for completion by March 2023.

Ensuring everyone can access opportunity

48. There are circa 36,000 people who live in rural areas across the Tees Valley that are not served by the commercial bus market. There are also deprived urban communities where accessibility is a challenge and there is a need to improve connectivity to jobs, training and essential services.
49. A provider has now been appointed to deliver the Tees Valley Wheels 2 Work scheme through to 2024. The scheme provides a subsidised transport solution for those with no access to a private vehicle or public transport. The fleet is now all electric and includes electric motorbikes and electric bikes. The scheme takes referrals from Job Centre Plus and the Let's Go Tees Valley travel advice team and will also be widely publicised to raise awareness.

Positioning the Tees Valley at the forefront of decarbonising transport

50. TVCA is working alongside the DfT to try and secure funding to deliver hydrogen refuelling infrastructure, long-term trials and research activity through the hydrogen transport hub.
51. TVCA is also committed to delivering a step-change in the provision of electric vehicle charging infrastructure, which is one of the main deterrents for people considering a transition to electric vehicles. The DfT states that around 80% of all electric car charging happens at home, but for drivers who do not have off-street parking, access to charging points is essential.
52. TVCA would also like to facilitate:
 - electric micro-mobility (range of small, lightweight vehicles) making cleaner modes of transport more accessible for all;
 - the uptake of electric vehicles for last mile urban freight delivery;
 - the decarbonisation of public sector fleets; and
 - support for business to decarbonise their fleets.
53. The DfT recently announced the winners of a £2.5 million competition to carry out hydrogen transport pilots in the Tees Valley area starting in 2021/22. The successful trials involve Teesside International Airport, emergency services, supermarkets and delivery companies.

54. TVCA will shortly appoint a supplier to install, operate and maintain a network of electric vehicle charging points across Tees Valley. The initial roll-out will focus on publicly accessible car parks with installation scheduled to commence in 2021.

55. The e-scooter trials continue in Middlesbrough and Hartlepool with strong usage figures (4,028 rides in Middlesbrough & 4,184 rides in Hartlepool across June, July & August 2021). The trial period has been extended by Government through to November 2022.

Putting Tees Valley at the heart of the digital transport revolution

56. TVCA is seeking to deliver a wide-ranging package of digital infrastructure and services to accelerate our ambition for a digitally enabled transport system across the region. The package includes:

- managing and optimising the highway network using the Urban Traffic Management & Control (UTMC) system;
- interventions to encourage, support and incentivise people to use active travel and public transport; and
- interventions to collate and provide data on multi-modal journeys, real time movement and occupancy data to enable customers to make informed travel choices.

Teesside Airport

57. The Cabinet has received a Business Plan update report in respect of Teesside International Airport for the period 2021-2029. The updated Business Plan does not require the Combined Authority to increase its previously approved funding allocation to the airport. The key short- and medium-term risk to the delivery of the TIA Business Plan is the uncertainty surrounding the ongoing Covid 19 pandemic and its effect on the aviation industry generally and the airport. The airport senior management team will continue to monitor and manage this risk and develop strategies for the growth and development of the airport.

Education, Employment & Skills

Investment Plan	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	47,749	39,061	37,279	37,279	37,279	111,835	310,482

58. The Investment Plan allocated £15 million, with the final £1.2 million included in the above period, for skills capital and the Combined Authority has also worked collaboratively with the Northern School of Art and Middlesbrough Council on the relocation of the Northern School of Art's Further Education Campus Middlesbrough. This project has completed and welcomed its first learners in September.

59. The new Education, Employment and Skills Strategy and associated Delivery Plan is in development. The plan will consider the skills needs of the emerging sectors, such as clean energy, and the training required to achieve the ambitious net zero targets. At the heart of this plan will be the solutions to ensure Tees Valley residents and young people can access these jobs. The delivery plan will include detail regarding the revenue investment priorities for this theme that will aim to increase employment levels and ensure businesses can access an available and skilled workforce, now and in the future.
60. Adult Education functions were devolved from the start of the Academic year in August 2019. Although Covid-19 has impacted the accessibility of learning over thirty-one training providers have successfully developed a blended online and face to face model of delivery.
61. In March 2021 a multi-year procurement process was undertaken and it has established an Adult Skills Framework of fifty-six high quality training providers. Of these providers thirty-one have been awarded funding from AEB for delivery for the Academic year commenced September 2021.

Business Growth

Investment Plan	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	160,145	57,898	17,903	12,094	2,938	9,501	260,479

Teesworks Site Projects

62. The Investment Plan has £56.5 million allocated to the South Tees Development Corporation for development of the [Teesworks site](#) of which £11.8 million was remaining at April 21. The Teesworks site is the UK's largest and most connected industrial zone, home to diverse, sustainable and low-carbon activity. The land has been acquired as part of the Compulsory Purchase Order (CPO) process, £125m (£104 million within the period covered by this report) of funding secured from Central Government, acquisition of South Tees Site Company Ltd into local control from the Department of Business, Energy and Industrial Strategy (BEIS) and development activity is underway on the site with a strong focus on local labour and supply chains to enable the site development.
63. In June 2021, BEIS approved additional expenditure of £20 million to support the development of the Teesworks Offshore Manufacturing Centre. The funding was awarded to assist in the remediation of the proposed offshore wind site to accelerate works and bring forward the construction of the centre.

64. At the Autumn Budget in October the Teesside Freeport was confirmed and the following day was officially launched. The confirmation at the Budget resulted in the Statutory Instrument for the Tax Land being laid and at the same time the Primary Customs Zone was delivered and audited by HMRC. The Teesside Freeport will be the first custom and tax designated freeport in the UK.

Infrastructure Projects

65. Boho “The Digital City” project (£26.5 million of which £22.3 million is within the period of this report) has been confirmed utilising existing Business Growth infrastructure budgets (£20 million) and Middlesbrough Borough Council Indigenous Growth funding (£6.5 million). The project is designed to create a digital campus which will ensure that Tees Valley becomes a recognised centre for digital media investment both nationally and internationally. It will provide the environment for businesses to design, enable, create, and grow new digital opportunities and put Middlesbrough at the heart of the most important and rapidly evolving industries in the world. The first of the two buildings constructed from this fund was completed in March 2021
66. The £20 million ‘Welcome to Redcar & Cleveland’ Programme has been developed to promote area regeneration in support of economic growth in the tourism and visitor economy of R&C and the wider Tees Valley. Prior to the periods included in this report £3.7 million had been incurred on delivery with the remaining £16.3 million to be incurred during this report period. The range of projects within the programme will act as a key catalyst to promote, attract a sustainable visitor economy as part of its wider place-based regeneration plans for the Borough in line with national policy. The first two projects within the programme are currently in progress, Regent Cinema and Guisborough Town Hall, with further call offs expected shortly.
67. Stockton’s allocation of £20 million, £19 million within this report, will be utilised to deliver the vision for Stockton Town Centre which is to create a vibrant, modern town centre by building on past investment to provide a sustainable retail offer that safeguards the traditional function of the High Street whilst creating a space that enables diversification of uses through a combination of public and private investment, capitalises on the proximity of the River Tees as a significant natural asset and creates investor confidence through increased footfall and new uses.

Business Support Programme

68. Since the £35m Business Growth Programme was approved by Cabinet (utilising £30m investment plan and £5m pre-investment plan allocation) delivery has been undertaken during a period of significant economic challenge. The programme has reacted to the COVID crisis and delivered additional central government support where possible. Despite the pandemic, the programme remains on track to meet its main objectives and demand for business support services remains strong.
69. The programme has established a central support function (Tees Valley Business) which provides businesses easy access to support services through one central

location, bringing together the different types of support traditionally delivered as discrete projects across the region. Support is provided via a website, email portal, telephone and directly through business advisors. The services provided by the previous Business Compass project have been successfully transitioned into the new Gateway and all new support services are being delivered through the Gateway. Providing a single access point to the full range of business support that is available to Tees Valley businesses the service has provided over 4,000 businesses and individuals with direct one to one business support and advice during 2020/21. In the first 6 months of the current year it has already directly supported 3,677 business and individuals on a one-to-one basis.

70. Business growth support for SME's (Small and Medium Enterprises) is currently funded through a £14.65m ERDF (European Regional Development Fund) programme launched in July 2020. The amount of funding for the project was increased due to COVID to allow for a higher grant support level of 55% (increased from 33% under the Business Compass scheme). In addition, £1.97m ERDF funding has been secured for an SME Energy Efficiency Scheme. (Due to launch Nov 2020).
71. The Tees Valley Large Capital Grant scheme has defrayed £1.3m to date this year against private sector capital investments in excess of £6m supporting the creation and safeguarding of over 250 jobs. A further £11m of grant support has been approved subject to due diligence against private sector investments which will create and safeguard over 1,000 further jobs. The pipeline of applications currently being process is strong it is forecasted that the funds will be fully defrayed fully against private sector investments by 2025.
72. COVID 19 has had a significant impact on the local economy, however demand for business growth support has remained strong, especially for grants to support capital projects. The Gateway has supported the delivery of a number of COVID specific support funds namely: Apprenticeship Grants; Welcome Back Fund; Back to Business Funds: Visitor Economy and Wider Economy; Kickstart scheme; Culture Development and Innovation Fund; Peer to Peer Programme.

Culture & Tourism

Investment Plan	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	14,074	19,710	17,845	7,057	650	338	59,674

73. The Investment Plan allocation for Culture & Tourism Programme of activity is £20 million of which £18.6 million is within the periods contained in this report. The initial investment priorities were set out in the Investment Plan and a number of projects have already received approval through Cabinet or via delegated decision in line with the Assurance Framework. At the Cabinet meeting in November 2020 members approved a programme of activity, to enable the delivery of a Growth Programme for the Creative & Visitor Economies. The report incorporated the recommendations of the independent Cultural Industries & Visitor Economy Recovery Task Force and describes a programme that will be focused on economic recovery, regeneration and growth through the sustainable development of the creative and visitor sectors. The business plan is progressing and delivery is due to commence in 2022/23.
74. An Investment Plan allocation of £20 million (£19.3 million in the period covered by this report) has been provided for Darlington Councils priority project, a major capital scheme which will establish a Railway Heritage Quarter, based around the “Head of Steam” museum on North Road/Station Road, north of Darlington town centre. The aim is for the Railway Heritage Quarter to become a major visitor attraction and museum by 2024 in order that it can be a central part of the bi-centenary celebrations of the birth of the Stockton & Darlington Railway in 2025.
75. The £20 million Hartlepool Waterfront project will create a 'destination' at the waterfront, encouraging growth in visitor numbers; overall, to regenerate the place via the tourism / leisure / culture offer. The Project will work with the National Museum of the Royal Navy to expand the exhibition space whilst leisure facilities will be constructed along with external event space and improved public realm.

Innovation & Clean Growth

Investment Plan	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	59,129	14,636	2,180	1,701	0	50	77,969

76. The innovation programme, approved in January 2020 is focused on supporting the key sector areas identified in the SEP, namely, bio science, digital, advanced engineering and clean growth. The programme has several linked activities to provide the cornerstones for growth in these sectors as well as funding for key industrial networks. Key projects include support for a bioscience incubator and wider bioscience innovation support, a net zero freeport innovation centre supporting clean growth, hydrogen technology and advanced engineering, and support for future digital research projects. The programme will leverage national funds wherever possible to maximise the impact for the Tees Valley.
77. The North East and Yorkshire Energy Hub, which TVCA is the accountable body for, is actively engaged in delivering a £53 million Green Homes Grant LAD2 programme across 27 of its 31 local authorities. The Hub has secured additional funding of £1.2 million for its core activities from November 2021 until March 2023, which brings its total core funding to £3.1 million since 2018. It is completing delivery of a £1.7 million Rural Community Energy Fund Programme, which will soon be evaluated. In 2022 it will run a £0.7 million Public Sector Decarbonisation Skills funding programme.

Place

Investment Plan	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	16,637	30,914	13,907	10,046	6,000	6,000	83,504

78. Over ten years a total of £62 million has been allocated to create the Indigenous Growth Fund. Each of the five boroughs that make up the Tees Valley has distinct economic assets and opportunities and it is essential that we can unlock these opportunities for residents of the whole of Tees Valley.

79. A programme business case has been developed and approved for the fund and the constituent authorities are currently developing project business cases to call off from the programme.

80. At the Cabinet meeting in November 2020 Members In order to make it easier, cheaper and more convenient for people to use Tees Valley high streets and support local businesses the introduction of free car parking across key Tees Valley Town Centres. The scheme will provide minimum of two hours up to a maximum of three hours' free car parking for two years.

81. The Authority was awarded £19.3 million from the Brownfield Housing Fund in December 2020 to unlock brownfield sites for development. A total of five projects are currently in delivery under this programme with £18.6 million of this fund to be delivered within the period 2021 to 2025.

Expenditure outside the Investment Plan

Concessionary Fares

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	15,985	15,985	15,985	15,985	15,985	47,958	127,883

82. The Concessionary Fares budget is negotiated with bus operators annually and is fully funded by contributions from the constituent authorities. The budget for future years has been estimated based on 2021/22 agreements however this is subject to change based on future negotiations.

Commercial Projects

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	33,994	63,205	37,738	623	775	323	136,658

83. The commercial projects section of the MTFP contains projects which have been invested in via either a commercial loan or with returns on investment. The projects currently within this section are:-

- Southside Development at Teesside International Airport,
- 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.
- The development of the South Bank Quay to enable offshore wind which will see returns from proceeds of usage of the Quay.

Research and Evaluation

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	21	125	100	0	0	0	246

84. 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

85. Core costs have remained at the same level since 2018/19, however with the increasing levels of funds that are being managed by the Authority there are increasing pressures on core resources to support the delivery of these projects and programmes ensuring that we adhere to the assurance framework agreed with Government.

86. Within core costs are the TVCA lease premises at Cavendish House. As the airport moves into the next phase of its business plan it will begin work on its land and property assets across the wider site. A new 1,360sq m office space will be created to replace the ageing landside offices being remodelled into a Sky Bar and viewing platform. In the short-term, Combined Authority staff at Cavendish House will move there, ahead of looking at relocating to a new base in Darlington near the Northern Economic Campus. The TVCA move will be managed within the TVCA core budget.

87. Over the period of 2018-2021 the average annual investment was £140 million, for the period covered in this report 2021-29 the average annual investment will be £201 million, an increase of 44%.

88. Where resources are directly linked to the successful delivery of a specific project or programme we will continue to charge those resources into those investments. However, where the resources are playing an indirect supporting role in the delivery these need to be covered by the core costs of the organisation. The 2021/22 baseline for core costs excluding mayoral election costs (£0.6 million) is £4.8 million. Therefore, taking into account the increased level of investment we are proposing an increase of 10% to the core budget from 2022/23, this would result in £0.48 million additional costs annually and £3.36 million in total to 2028/29.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core costs	5,419	5,294	5,294	5,894	5,294	16,482	43,677

89. The table below sets out the core costs budget for 2022/23 and the previously agreed budget for 2020/21.

Core costs	2021/22	2022/23
Salaries (incl Ni & Pension)	3,899,945	4,281,236
Other Staffing Costs	15,000	15,000
Total Staff Costs	3,914,945	4,296,236
Premises	335,000	335,000
General Running Costs	402,967	502,967
Marketing & Communications	160,000	160,000
Non-Salary Expenditure	897,967	997,967
TOTAL EXPENDITURE	4,812,912	5,294,203

Cost of Borrowing

90. 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.

91. 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.

92. The 2019/20 budget approved the use of the Combined Authorities borrowing powers to deliver the Investment Plan. The loan repayments have been updated to reflect the latest borrowing requirements and interest rates and are set out in **Appendix 2**.

FUNDING

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

Funding	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	431,263	354,862	221,457	169,730	150,625	449,335	1,777,272

Funding Source	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Devolution	15,000	15,000	15,000	15,000	15,000	45,000	120,000
Enterprise Zones	2,672	5,451	5,562	5,882	6,036	19,044	44,647
Transforming Cities Fund / CRSTS	24,000	62,000	62,000	62,000	62,000	186,000	458,000
Loan Repayments & Investment returns	3,038	2,170	988	8,476	6,280	18,841	39,793
Government Grants	192,737	39,430	19,940	16,026	13,583	40,667	322,383
Adult Education Budget	34,243	32,788	30,613	30,613	30,613	91,837	250,707
Local Transport Plan	11,336	0	0	0	0	0	11,336
Concessionary Fares	15,985	15,985	15,985	15,985	15,985	47,958	127,883
Borrowing	100,357	131,783	69,520	15,747	1,129	0	318,536
Movement -to / from reserves	31,895	50,225	1,849	1	-1	-12	83,987
Total	431,263	354,862	221,457	169,730	150,625	449,335	1,777,272

Devolution

94. Funding of £15 million per year for 30 years was agreed as part of the devolution agreement with government. This funding is subject to a five-year review which was successfully achieved in 2021. For the purpose of the budget plan period it is assumed that this level of funding will continue beyond each of the five-year review points.

Enterprise Zones

95. The Combined Authority retains business rate funding from a number of designated enterprise zones. As the zones continue to attract more business the funding generated is forecast to increase.
96. The current projections for the investment plan period are based on rates that are currently being collected, together with known projects currently under construction. Business rates from future potential projects on the Enterprise Zones are not accounted for in the forecasts but will be kept under review.

Transforming Cities Fund & City Region Sustainable Transport Settlement

97. The Transforming Cities Fund was announced by Government in the 2017 Budget to transform local public transport. The fund gives the Combined Authority freedom to invest on strategic transport priorities such as rail, bus rapid transit, cycling or other public and sustainable transport improvements.
98. The City Region Sustainable Transport Settlement (CRSTS) is the successor to the Transforming Cities Fund and has seen the annual average funding increase from £15.1 million to £62 million following a successful bid to DfT. The Authority has been awarded £310 million to invest in local transport networks to improve the quality of local transport networks over a 5-year period commencing in 2022/23. We are currently awaiting further details on the profile of this funding and have assumed an straight line annual profile within this report.
99. The current settlement received from DfT concludes in 2026/27, we have made the assumption within the Investment Plan that this funding would continue beyond this settlement period at its average annual to the end of the Investment Plan period.

Loan Repayments & Investment Returns

100. A number of Combined Authority investments are made on a recoverable and/or commercial basis, based on current agreements it is estimated that £21.8 million will be repaid during the period including interest.

Government Grants

101. The Combined Authority receives a number of other grants from Central Government which can be either awarded for specific purposes following an application process or where is awarded with fully devolved discretion regarding expenditure. This allocation includes, South Tees Development Corporation Business Case £124 million, LAD2 Green home grants £53.2 million, Brownfield housing £14.6 million, Get Britain Building £8.7 million along with a number of other specific project grants.

102. Current estimates are based on secured grants and some assumptions regarding the continuation of current funding. We remain in constant discussions with Government to ensure we secure the maximum funding possible to achieve our priorities set out in the Strategic Economic Plan.

103. Through the revised profiling of expenditure and further secured income the budget is fully funded 22/23. However, over the MTFP period £38.5 million has been assumed from UKSPF to fund relevant activity within this period. This is significantly lower than allocations received by the region from predecessor funds and we expect investment into the region from this fund to exceed this target.

Adult Education Budget

104. Devolution delivery of the Adult Education Budget commenced August 2019 and aims to provide those aged 19 and over in the Tees Valley area with support into training and education to enhance skills in order to meet the skills requirements of employers. The Combined Authority will be working with a wide range of providers to align training to business needs and to prevent young people becoming long-term unemployed.

Local Transport Plan

105. As the transport authority for the Tees Valley the annual capital block funding allocations are passported through the Combined Authority to the constituent Local Authorities based on historical allocations. The Combined Authority role in this is transactional in enabling the funding to be transferred from Government to the Local Authorities. Through dialogue with DfT it is understood that this funding will now be incorporated into the CRSTS at its current levels and has therefore been removed from 2023/24 as a specific funding source.

Concessionary Fares Funding

106. Under the role of transport authority, the Combined Authority is responsible for passporting funding to the local bus operators via funding received from the constituent authorities on an annual basis. The Combined Authority role in this is transactional in enabling the funding to be transferred from the Local Authorities to the bus operators.

RESERVES

107. 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.

108. At April 2020 the balance of usable reserves was £81.1 million which was increase by £3.6 million in 2020/21 leaving a balance at April 2021 of £84.7 million of available funds held in reserve, and it is forecast that this will reduce by £31.7 million within the year to give a balance of £53 million at the end of March 2022. The full balance of reserves will be utilised throughout the investment plan period to support the delivery of the investment plan, as set out in the table in paragraph 77.
109. 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 currently stands at £1.058 million.
110. As agreed in the 2019/20 Budget we consider that the appropriate way of calculating a general reserve level is to take the average of the risk-based revenue that we expect to receive over the period of the MTFP and hold a proportion of this in the General Reserve. This calculation has resulted in a requirement of £0.5 million, however management has decided to not amend this from the current reserve of £1.058 million.

DEVOLUTION DEAL FORWARD FUNDING

111. As part of the devolution deal Government agreed to provide the Combined Authority with a devolved fund of £450 million. Although this funding is released by Government on an annual basis of £15 million per year for 30 years the aim was that Mayoral Combined Authorities could use this funding stream to forward fund through prudential borrowing. The original approval to access borrowing was approved as part of the previous investment plan and this report reaffirms the borrowing requirement.
112. Not only does this forward funding increase the scope to have a bigger economic and transformational impact sooner, it also makes financial sense as the release of the £450 million over the 30 years is not index linked. Therefore, the spending power of £15m in 2046 will be far less than today. Based on the standard discount rate of 3% it is financially advantageous to forward fund as the prudential borrowing rates are below this level.
113. Within the Investment Plan there is still flexibility to fund immediate requirements that are not funded by Central Government and generally these are funded from within agreed allocations. Any such amendments require the unanimous approval of Cabinet in line with the constitution. The level of borrowing and the amount of headroom available following these and other allocations are reviewed by Cabinet annually as part of the Investment Plan and review of the Medium-Term Financial Plan.

114. Devolution funding is evaluation every five years which leads to the release of the next tranche of five-year funding from Central Government. The first of the five-year review periods was 31 March 2021, which was successfully completed.

BORROWING

115. In addition to forward funding from devolution funds to deliver the Investment Plan the Combined Authority also has borrowing requirements to fund commercial investment propositions. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy.
116. 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 2**.
117. Within the MTFP period the total CFR to deliver the Investment Plan and fund commercial projects is £218.2 million as part of a wider borrowing requirement of £398.2 million over the Investment Plan Period of 2019 to 2029, details of which can be found at **Appendix 2**. This is well within the Government agreed borrowing caps of £774 million.
118. 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 2022-26

119. Funding and expenditure for the plan period, including the final 2022/23 budget is summarised in the medium-term financial plan as set out in **Appendix 3**.

FINANCIAL IMPLICATIONS

120. 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

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

RISK ASSESSMENT

122. 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 will continue this dialogue. The existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

123. Formal consultation was undertaken in the period 17th December 2021 to 7th January 2022. This is in addition to circulation of this report to Local Authority Directors of Finance, Tees Valley Management Group and Chief Executives.

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Forecast expenditure on investment plan

Project	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A689 Wynyard Corridor Improvements	4,114	0	0	0	0	0	4,114
Access Fund	436	0	0	0	0	0	436
Active Travel Fund	1,530	0	0	0	0	0	1,530
Billingham Station	700	300	0	0	0	0	1,000
Bus Improvement Corridors	117	3,738	0	0	0	0	3,855
Bus Partnership	100	3,000	0	0	0	0	3,100
CRSTS Development Fund	1,250	1,250	250	250	250	250	3,500
Covid 19 - Bus Services	147	0	0	0	0	0	147
Darlington Station	5,657	16,446	0	0	0	0	22,103
Demand Responsive Transport	1,005	926	0	0	0	0	1,931
Eaglescliffe Station Western Gateway	1,000	7,000	0	0	0	0	8,000
Electric Vehicles	1,080	874	0	0	0	0	1,954
Hartlepool Station	1,000	395	0	0	0	0	1,395
Hartlepool Western Growth Corridor (Elwick Bypass)	0	3,108	0	0	0	0	3,108
Home to School Transport	1,079	0	0	0	0	0	1,079
Hydrogen Transport	0	2,000	0	0	0	0	2,000
Inward Investment Allocation	0	0	0	0	5,800	0	5,800
Local Cycling & Walking Infrastructure Plan	1,924	1,947	0	0	0	0	3,871
Local Transport Plan	11,336	0	0	0	0	0	11,336
Middlesbrough Station	8,627	22,500	0	0	0	0	31,127
Pothole Action Fund	5,242	0	0	0	0	0	5,242
Redcar Railway Station Business Quarter	0	50	0	0	0	0	50
Sustainable Access To Employment Programme	11	0	0	0	0	0	11
Tees Crossing & Portrack Relief Road	3,746	5,000	5,000	0	6,679	14,821	35,246
Teesside Airport	22,642	8,400	0	0	0	0	31,042
Transport Capability Fund	1,362	0	0	0	0	0	1,362
Travel Demand Management	112	0	0	0	0	0	112
Urban Traffic Management	250	2,750	0	0	0	0	3,000
Wheels 2 Work	492	174	174	0	0	0	840
Integrated Transport Plan - To Be Allocated	0	22,866	57,000	62,000	49,521	171,179	362,566

Project	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport Total	74,959	102,724	62,424	62,250	62,250	186,250	550,857
Adult Education Budget	34,243	32,788	30,613	30,612	30,612	91,835	250,703
Education, Employment & Skills Strategy	8,016	4,410	0	0	0	0	12,426
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	89	0	0	0	0	0	89
Hartlepool Innovation Skills Quarter Phase 2	1,989	0	0	0	0	0	1,989
Kickstart	2,000	1,332	0	0	0	0	3,332
One Vision Pilot	140	45	0	0	0	0	185
Skills Analyst	24	0	0	0	0	0	24
Skills Capital Incl Northern School of Art	1,248	486	0	0	0	0	1,734
New Education, Employment and Skills Strategy	0	0	6,666	6,667	6,667	20,000	40,000
EES Total	47,749	39,061	37,279	37,279	37,279	111,835	310,482
Back To Business Fund	245	0	0	0	0	0	245
BEIS Business Compass	462	0	0	0	0	0	462
BEIS Peer to Peer Network	459	0	0	0	0	0	459
Billingham Bio-Pharmaceutical Campus	132	0	0	0	0	0	132
Boho Next Generation	7,320	6,897	1,598	0	0	0	15,815
Brexit Preparation Fund	306	0	0	0	0	0	306
Broadband	427	0	0	0	0	0	427
Business Growth Programme	5,030	9,588	8,111	4,378	2,938	9,501	39,546
Central Park	3,650	0	0	0	0	0	3,650
Delivering Sector Action Plans Programme	250	927	0	0	0	0	1,177
Energy Efficiency ERDF Grant	450	526	87	0	0	0	1,063
ERDF Business Growth Fund	3,460	3,686	595	0	0	0	7,741
ESIF Technical Assistance	45	0	0	0	0	0	45
Faverdale (Phase 1)	0	50	0	0	0	0	50
Freeport	662	700	638	0	0	0	2,000
Ingenium Parc - Phase 1	195	0	0	0	0	0	195
Kirkleatham Estate Investment Project	0	228	0	0	0	0	228
Local Industrial Strategy	241	0	0	0	0	0	241
Offshore Wind	20,000	0	0	0	0	0	20,000
One Public Estate	71	100	222	0	0	0	393
SSI Task Force Programmes	4,795	8,191	0	0	0	0	12,986
STDC Gateway	2,000	0	0	0	0	0	2,000
STDC Business Case	85,986	18,316	0	0	0	0	104,302
STDC Site Infrastructure	11,764	0	0	0	0	0	11,764
Stockton High St	2,930	3,902	4,952	7,216	0	0	19,000
Welcome to Redcar & Cleveland	9,265	4,787	1,700	500	0	0	16,252
Business Growth Total	160,145	57,898	17,903	12,094	2,938	9,501	260,479

Project	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Culture & Tourism Programme	912	4,000	7,000	6,717	0	0	18,629
Culture: City Games	0	0	245	340	650	338	1,573
Culture: Rugby League World Cup Bid	0	113	0	0	0	0	113
Hartlepool Waterfront (incl NMRN)	3,400	6,000	10,600	0	0	0	20,000
Museum of the Royal Navy	25	0	0	0	0	0	25
Stockton & Darlington Railway Heritage	9,737	9,597	0	0	0	0	19,334
Culture Total	14,074	19,710	17,845	7,057	650	338	59,674
Bio / Life Science Innovation Support	1,000	3,000	0	0	0	0	4,000
Carbon, Capture & Storage	53	0	0	0	0	0	53
Darlington Bio Incubator	0	2,800	0	0	0	0	2,800
Digital Cyber	500	1,500	0	0	0	0	2,000
District Heating Commercialisation Stage	212	0	0	0	0	0	212
Energy Network	995	1,073	0	0	0	0	2,068
Green Homes Grant	53,135	0	0	0	0	0	53,135
Hydrogen Transport	200	0	0	1,701	0	0	1,901
Low Carbon Action Plan	24	0	0	0	0	0	24
Net Zero Innovation Centre	670	4,039	1,291	0	0	0	6,000
Net Zero Teesside	126	206	0	0	0	0	332
Public Sector Decarbonisation	749	0	0	0	0	0	749
Rural Energy Fund	476	406	0	0	0	0	882
Tees Valley Sector Networks	519	662	819	0	0	0	2,000
Teesside University National Horizons Centre	446	0	0	0	0	0	446
TVCA Hydrogen Transport Deployment Bid	24	0	0	0	0	0	24
To Be Allocated To Projects	0	950	70	0	0	50	1,070
Innovation & Clean Growth Total	59,129	14,636	2,180	1,701	0	50	77,696
Brownfield Housing	6,229	8,751	2,300	1,649	0	0	18,929
Car Parking	5,406	3,319	0	0	0	0	8,725
Indigenous Growth Programme	5,002	18,844	11,607	8,397	6,000	6,000	55,850
Place Total	16,637	30,914	13,907	10,046	6,000	6,000	83,504
INVESTMENT PLAN TOTAL	372,693	264,943	151,538	130,427	109,117	313,974	1,342,692

Borrowing

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	100,357	131,783	69,520	15,747	1,129	0	318,536
		MTFP PERIOD			139,932		

	Bal c/f	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 - 2028/29	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	79,706	100,357	131,783	69,520	15,747	1,129	0	398,242
Internal Borrowing	-49,706	6,343	18,510	24,853	0	0	0	0
External Borrowing	30,000	106,700	150,293	94,373	15,747	1,129	0	398,242

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Minimum Revenue Provision	2,373	4,555	7,081	9,118	11,664	48,512	
Loan Interest	778	755	3,721	7,683	7,790	22,086	
		MTFP PERIOD			52,367		

Medium Term Financial Plan 2021-25

MEDIUM TERM FINANCIAL PLAN	2022/23	2023/24	2024/25	2025/26	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	172,824	150,088	153,982	149,497	626,391
Borrowing	131,783	69,520	15,747	1,129	218,179
TOTAL FUNDING	304,607	219,608	169,729	150,626	844,570
Investment Plan	264,943	151,538	130,427	109,117	656,025
Concessionary Fares	15,985	15,985	15,985	15,985	63,940
Commercial Projects	63,205	37738	623	775	102,341
Research and Evaluation	125	100	0	0	225
Core Running Costs	5,294	5,294	5,894	5,294	21,776
Cost of Borrowing	5,310	10,802	16,801	19,454	52,367
TOTAL EXPENDITURE	354,862	221,457	169,730	150,625	896,674
TRANSFER TO / FROM RESERVES	-50,255	-1,849	-1	1	
Reserves Opening Balance	53,875	3,620	1,771	1,770	
Transfer To / From Reserves	-50,255	-1,849	-1	1	
RESERVES CLOSING BALANCE	3,620	1,771	1,770	1,771	

Tees Valley Combined Authority Overview and Scrutiny Committee: Budget 2022-23

The Combined Authority is required to set out its Budget on an annual basis and to consult publicly before this Budget receives final approval by Cabinet.

The Overview and Scrutiny Committee has previously established the practice of convening a Finance and Resources sub-committee - made up of the committee's Vice-Chair and other members - to scrutinise the Budget in more detail, conduct a full analysis of the draft documents and contribute to this consultation process.

This report details the findings of the sub-committee and their consultation response to be provided to Cabinet at its meeting on 28th January 2022.

BACKGROUND

1. The Overview & Scrutiny Committee agreed at its meeting on 13th September 2018 to establish the practice of convening a standing Finance and Resources sub-committee chaired by the Committee Vice Chair in order to focus on Combined Authority budget arrangements in detail when required, and to report back to the main committee.
2. The sub-committee is currently chaired by Councillor Sandra Smith (Redcar and Cleveland Borough Council) Vice-chair of the full committee. The other members of the group are David Branson (Middlesbrough Council), Councillors Mike Renton and Stephen Harker (Darlington Borough Council), and Councillor Chris Jones Smith (Redcar and Cleveland Borough Council).
3. The sub-committee first met to scrutinise the Combined Authority Budget for 2022/23 on 13th December 2021, after being provided with the draft Budget upon its publication on Thursday 9th December.
4. At this meeting the Group Director of Finance and Resources walked the Members through the detail of the Draft Budget and Members asked questions where needed.
5. A second meeting was held on 20th December 2021. Tom Bryant, Head of Transport, also attended this meeting to answer more detailed questions regarding the transport spending proposals.
6. Following these meetings, the members of the sub-committee agreed that they were satisfied that Officers had addressed their questions and now had a better understanding of the budget.
7. This report from the sub-committee has subsequently been drafted for presentation at the meeting of the Overview & Scrutiny Committee on 13th January 2022. This meeting will allow the full committee to review the findings of the sub-committee and put forward any final questions they may have.

8. The questions and answers covered the full range of areas contained in the Draft Budget Report. These questions were addressed in the sessions on 13th and 20th December and have been sorted by Budget area below.

DETAIL

General question areas

9. **Are the amounts asked for from the UK Shared Prosperity Funding were the same as previous years? Has TVCA requested a lower sum than previous baseline European funding?**

These amounts are the same as previous years to ensure that this funding replaced lost EU funding. The figures in the budget were prudent planning assumptions and were not the ask of Government.

10. **What does 'competitive workers' mean in relation to the Covid recovery fund?**

This related to having the right skills in place amongst the Tees Valley population to allow the right investors and employers to create jobs in the area. This did not mean lower wages for the workforce.

11. **Will the budget for Net Zero be split out in future?**

The authority's new approach to prioritising Net Zero and Clean Growth by appointing Chris Beck as Director in this area. The budget would not be split out at present and that Net Zero outcomes and impacts would be assessed in all economic development themes as part of the programmes and project development work.

12. **How will TVCA demonstrate whether the ambition of meeting COP26 targets was costing more to deliver and whether more government funding would be required?**

Costing programmes and projects alongside required funding was work in progress across the themes of the investment plan. The proposal is that future Cabinet papers incorporate a Net Zero implications section for the Cabinet to consider impact at each decision point.

13. **How does some funding pass through to Local Authorities for them to deliver projects? Where would the pressure rest if there were funding pressures?**

Passthrough budgets transferred the budget for those items to LAs in line with Government allocations. Where any cost pressures were experienced these would need to be managed by the funding recipient (i.e. LA's for items such as Concessionary fares).

14. **Why are some figures the same in each year. Has inflation been taken into account?**

Projects were not front loaded. The amounts would be based on Government allocations each year. The risk of there being adequate funding in each year did not

sit with TVCA however the Combined Authority would work closely with the LA's to assist with advice and dialogue with Government. There was an increase in the core budget over the life of the plan. This was due to new large-scale complex projects and recent funding allocations now progressing. Some work had been undertaken to charge an appropriate element of running costs to projects where applicable to mitigate this cost pressure.

15. Why is there an increase to the cost of borrowing over the four-year period?

This was due to the future need to borrow more for projects in the investment plan. However, they were in close contact with TVCA Treasury Advisers (Arlingclose) about the timings of borrowing, however borrowing could not take place until projects were advancing and the Capital Expenditure commitments over the medium term were likely to occur. Members discussed the potential impact of increased interest rates on future borrowing to see out the projects in the plan. Reserves were being used to complete projects. Where additional funding allocations are received in advance combined with some project underspend positions this would sometimes lead to a deferred requirement to borrow. This was part of a proactive strategy to manage the cost of borrowing across the Group.

16. Are borrowing costs based on current interest rates?

Yes this is the case. Any future increases to the cost of borrowing would not be passed on to Local Authorities. Instead, should increased borrowing costs occur above plans the first consideration would be to absorb via review of future project costs and budgets and this would enable accommodation of a scenario of increased cost of borrowing if it were to occur.

Transport

17. What impact there might be to the proposed improvements at Darlington Rail Station given the government plans to scale back the development of the HS2 rail network?

Neither the value of the project, nor funding for its delivery are appreciably impacted by HS2. The Darlington Station project has secured £8.7m of Department for Transport (DfT) Rail Network Enhancements Pipeline (RNEP) funding already following submission of the Outline Business Case (OBC), which means it is recognised as being strategically important. The creation of platforms on the eastern side of the station means that Tees Valley services no-longer need to cross the East Coast Main Line so there are strong performance and reliability benefits of the scheme too. Overall, it delivers benefits to the East Coast Main Line by speeding up journey times and helps to address capacity constraints north of York and therefore strongly aligns with the Integrated Rail Plan. In total the project has an estimated cost of £105m.

18. Is the work on Middlesbrough Station less risky given that the work had already begun here?

Neither project is risky, however the Middlesbrough Station project is less risky in the sense that it is a smaller project with £32.15m of funding coming from TVCA's Transforming Cities Fund (TCF) and Get Building Fund, which was secured for the project. This means that the funding package is in place for the whole project subject to assurance.

19. Would the proposal for a metro style transport network entail the development of transport hubs?

TVCA are already delivering major improvements at Darlington and Middlesbrough Stations, which will improve facilities for bus users, cyclists and pedestrians accessing the station. We are also planning improvements at all remaining stations and again we will be looking to improve the integration between rail and other modes of transport. The aspiration is for a seamless passenger experience between different modes.

The Bus Service Improvement Plan also references the potential creation of hubs that enable and encourage onwards journeys by cycling or walking for bus passengers.

20. Would there be plans to develop a 'parkway' park and ride transport hub at Nunthorpe Station?

The TVCA position is that there is not currently a sufficiently strong case to justify investment in development work. Our view is that the only way a parkway station in this location could potentially be viable is if it is considered as part of medium to long term growth aspirations in the vicinity of the proposed location. This would be needed to generate sufficient demand to make a parkway station viable.

21. Where would the transport hubs be?

Members agreed that it would be helpful to ask Tom Bryant to attend the second meeting scheduled for Monday 20th December at 2.30pm.

22. Did the proposals for Eaglescliffe station include a lift for passengers to access the bridge to cross to the other side?

TVCA is developing a programme of potential improvements at all railway stations across the Tees Valley with the primary aim of enhancing the links between the stations and their surrounding transport networks. Some larger schemes such as Darlington and Eaglescliffe are providing additional car parking. A number of schemes include enhanced accessibility at the stations.

Proposals for the exact design of the new footbridge at Eaglescliffe are still in development, but the solution will certainly involve 3 new fully accessible lifts: one to provide access from the existing (eastern) car park/station entrance; one to provide access to the platforms; and one to provide access from the new (western) car park/station entrance.

23. What is the rationale for making improvements to the airport station given the difficult access between the station and the airport and the very low passenger numbers?

Changes to the station weren't explicitly within TIAL's business plan. However, the Airport could consider reprioritisation of existing capital programmes if it became a commercially viable solution. There was currently no contract in place at present to commence the improvement works however this work was being considered in the round with Airport development plans.

Current use of the Teesside International Airport Station is very low as it is only served by one train per week in one direction, despite every train between Darlington and Eaglescliffe passing through the station. This is known as a 'parliamentary' service to prevent closure. However, based on future airport expansion plans and additional development on the site in the airport masterplan, forecasting work has shown that significant future demand for use of the station could exist if it was regularly served. This demand could comprise of airport passengers and those that work on the site, linked to the development proposals. TVCA has therefore been assessing the feasibility of reopening/upgrading the existing station on that basis and linked to the provision of an enhanced service.

24. Why was there nothing in the plan for road infrastructure to improve the Darlington Northern Relief Road?

The project had been costed but that there was no indication whether the government would fund the project. However, lobbying would continue with partners.

25. Why does the Bus Improvement Plan not look at increasing the number of new bus service routes? For example there are issues in Middlesbrough with bus access to the Parkway shopping centre. This location was consequently overrun with cars. Car ownership in the Tees Valley area was low, however, car use disproportionately high.

The purpose of the Bus Improvement Strategy and overall Transport plans for a seamless passenger experience were to capture and address these concerns.

26. What was meant by 'bus infrastructure' in paragraph 43?

This related predominantly to bus lanes.

27. What was being done to improve transport links for people needing to access the Teesworks site for work?

There are several projects which will impact on Redcar and Cleveland including the plans to update each rail station, the Tees Flex bus service and the wheels to work scheme. A new bus service had very recently been agreed to provide access to Teesworks to tie in with the 24hr shift patterns. This will serve areas of Middlesbrough and Redcar as identified by Job Centre Plus. The service will be subsidised at first and if well used will help demonstrate that the service is commercially viable for the bus

operator. Connecting people to employment opportunities is at the core of the transport plan.

28. What options are being explored for the cycleway between Guisborough and Nunthorpe?

The proposals for the Nunthorpe to Guisborough Cycleway are still under development. However, all routes to be delivered as part of the Local Cycling & Walking Infrastructure Plan are being designed to be safe, direct, coherent, comfortable and attractive wherever possible. Subject to further feasibility work, the scheme that we are considering for the Nunthorpe to Guisborough Cycleway is likely to be along the alignment of the existing walkway and alongside the railway. This will be away from the main highway, however, in many instances, a cycleway closer to, but segregated from a highway will be safer. This is because cycle routes alongside a highway will often be better lit and less isolated.

29. Are the plans to develop the cycle lane on Woodland Road in Darlington proportionate given the need to improve several arterial routes. Has the overall work needed been costed?

The Woodland Road scheme has been identified as a priority within the wider Tees Valley Local Cycling and Walking Infrastructure Plan. Schemes were selected by their effectiveness, strategic fit, affordability and deliverability. The Woodland Road scheme will improve access to the western side of the town centre via Duke Street and provides a direct link to the Darlington Memorial Hospital and Queen Elizabeth Sixth Form College. The scheme also contributes to wider links to the employment sites at West Park and Faverdale and residential areas across the west of Darlington.

Improvements are already being introduced between the town centre and Darlington Bank Top Station along Victoria Road as part of TVCA's former Sustainable Access to Employment Programme and there are further plans to improve additional accesses to the town centre in the wider Local Cycling & Walking Infrastructure Plan.

30. What are the plans to connect up e-scooter use with the proposed transport hubs?

E-scooter usage is currently being closely monitored across Hartlepool and Middlesbrough where the trials are in place. The e-scooter technology allows areas unsuitable for their use to be geofenced so that the e-scooters are unable to enter them. There have been very few issues since the launch of the scheme, but any problem locations can be quickly identified and added to the restricted areas.

There are e-scooter docking stations at or near to all of the major transport interchanges where the e-scooters are currently operating. During the trial the docking stations have largely been restricted to land owned by the local authorities. However, as the scheme develops, we will be looking at opportunities and agreements to better integrate the docking stations and hire arrangements with other modes of transport.

31. How many charging points for electric vehicles were proposed in the first phase of roll-out?

145 subject to feasibility studies.

32. Are there plans for multi-modal timetabling as well as e-payment ('oyster-style') cards for different transport types?

Integrated timetabling and tap-on / tap-off payment systems is an aspiration for TVCA and an important part of providing a customer-centred world class integrated transport system. However, this is challenging with multiple rail / bus companies involved. The DfT is progressing a national project to provide the back-office system needed to support this type of system.

33. How was TVCA balancing its strategic aims of Net Zero and clean growth with expanding air travel in the area?

The airport is a strategic infrastructure asset and a key part of encouraging businesses to invest in the area. The wider Net Zero Plans will require this to be taken into account when formulating the approach to Net Zero. TVCA will keep aware of new fuelling new fuelling solutions, and find ways to incorporate the airport in the government's hydrogen transport hub. A Tees Valley based airport also limits road travel to other airports.

34. Might the airport budget need to increase given the ongoing impacts of Covid and Brexit? Might it be more sensible for para 59 to state 'not currently' to allow for the potential that the budget might need to increase due to Covid?

This amendment will be considered. It was noted that Covid adds a measure of uncertainty to all plans by all local authorities and other government bodies at the present time, not just the airport.

35. What examples are there of transport hubs in Middlesbrough at present?

The principle of seamless transport was being explored and tested at Darlington and Middlesbrough first where there is the biggest footfall. Not all transport hubs will link up all modes of transport, but the principle was to integrate as many modes as possible.

36. Why are there proposals to develop the airport station? If the airport owns the station why is TVCA planning to spend money on improving it?

TVCA is exploring at present what are the best options for improvements and how much they would cost. This allows TVCA to be ready to act at the right time to tie into any plans to increase rail passenger numbers to the airport. The airport has always had liability for the station and work is needed by the airport to keep the station fit for use.

37. How will other arterial cycle routes in Darlington be improved and how will they be funded?

Cycling and walking proposals for funding had been submitted to the 'Transforming Cities Fund'. Other bids were also in progress. TVCA was working with Local Authorities who were already making difficult decisions about prioritising road space for cyclists and that this work was getting recognition from central government. It is possible that other funding pots could be accessed and these are not currently reflected in the transport budget.

38. What is being done to develop train services which mean that people do not need to travel into Middlesbrough and change services to access other Tees Valley destinations?

While TVCA is actively lobbying train operators they only have a certain amount of influence. Strategically by improving the capacity of the network provides a much stronger case for then lobbying the train providers to address specific issues regarding the network and available services. There had been successful lobbying to bring the first Middlesbrough to London service and to extend the Trans Pennine service to Redcar and shortly to Saltburn.

39. Why has the number 10 service from Coulby Newham suddenly been reduced from half hourly to hourly?

The bus operator had registered these changes, which were due Covid impacting on bus driver availability. Discussions had taken place to ensure that there were no areas left without a service, but that reduced services would operate in some areas. These changes had been communicated to transport leads in LAs.

40. What information does TVCA hold on the impact of subsidised free carparking in town centres? How would TVCA balance encouraging people to drive to town centres versus subsidising bus travel to the same?

This data was not yet available to analyse.

Education and Skills

41. What plans there were to make better use of the STEM Centre at Middlesbrough College?

GM agreed to relay those observations to Shona Duncan.

42. Does the equal allocation to skills in future years take into account inflation?

The allocated funding allows TVCA to accelerate funding in some areas and reallocate accordingly.

43. How would TVCA identify the skills and training needed for the projected jobs on the Teesworks site. Had degree apprenticeships been considered?

New qualifications take time to develop and be accredited. The skills team are working in understanding what the key sectors are across the Tees Valley and assessing whether we currently have the right skills within the area, and whether we have the lower-level skills foundation and education opportunities to create effective learning pathways.

44. How do we prevent the competitive nature of sixth form provision from hampering overall progress with the local skills agenda?

TVCA does not believe that 6th form competition inherently stops us from pursuing our skills agenda. TVCA works on the demand side of education and it can influence things through the allocation of the Adult Education Budget. Sixth form providers are largely autonomous bodies.

45. What role can TVCA play in the ambitions of different LAs to build arena size events venues?

The points raised in this area were noted. However, it was explained that there were no current plans for TVCA to fund a project of this type.

Commercial projects

46. Would there be other adequate transport links from the South Side Business Park as well as the airport? How will TVCA square the promotion of air freight with the COP26?

The airport is a strategic asset for economic recovery for the Tees Valley area. Both shipping and air freight are emitters and both will need to develop in line with industry standards and developments in improving emissions.

Core costs

47. SH asked what the approximate 10% increase in the core costs equated to in terms of staff numbers?

This is the first year since the Combined Authority's inception more than five years ago that core costs have been increased, despite taking on new projects, roles and responsibilities, securing increased funding and moving to a Group structure. This equates to approximately 5-6 new staff depending at what level those roles sit within the organisation.

48. Where does the funding comes from for core costs?

The Mayoral Capacity Fund and Devolution Fund.

49. Why does the government grants line in the funding table reduce significantly from £192m to £39m?

The higher initial figure incorporates the funding to remediate the Teesworks site.

50. Why does proposed borrowing drop off in future years?

TVCA proposes to draw down borrowing early within the investment plan implementation.

SUMMARY

51. In summary, sub-committee members drew out the following issues for the attention of the Overview and Scrutiny Committee:

- The subcommittee noted that in some areas of the budget there were no inflationary increases built in and therefore questioned how costs would be met if they increased due to inflation.
- In several areas the Subcommittee questioned whether the assumptions about funding for Covid recovery were enough and whether TVCA would need to consider either applying for additional recovery funding or readjusting its budget to manage future financial impacts from Covid. This was particularly a concern in relation to the Airport Budget.
- The sub-committee took a keen interest in the Transport programme and associated investment. They were keen to understand the prioritisation of funding. Particularly to understand how certain projects were being prioritised over others. They were keen to understand how the plans will overcome the current barriers to joining up modes of transport in key locations across the Tees Valley region.
- Also, in relation to transport they were keen to understand how the investment in air travel (both passenger and freight) could be reconciled with our compliance with the COP26 emissions targets. They questioned what impact the COP26 targets might have on the financial position of the airport. In addition, there were several observations about whether the transport plans do enough to try and reduce the amount of road travel to work and into town centres whilst trying to also promote greater take-up of public transport options.
- They questioned the funding allocations and plans associated with ensuring that the right skills and education provision would be developed and offered to ensure that the future job opportunities created on the Teesworks site could be filled with suitably qualified people from within the Tees Valley area. Similarly, they were keen to see the prioritisation of transport solutions to ensure that people could access the site to take up offers of work.

**Tees Valley Combined Authority
Pay Policy Statement
(Section 38, Localism Act 2011)**

This pay policy statement applies to the financial year 2022/23.

Introduction

1. This document sets out the Combined Authority's Pay Policy in relation to the remuneration of its employees in accordance with section 38 of the Localism Act 2011. The policy is subject to annual review which must be approved by the Cabinet before 31st March each year. Any amendments during the course of the year must also be considered and approved by the Cabinet. The policy will be published on the Combined Authority's website as soon as reasonably practicable after approval or amendment.
2. The Combined Authority is committed to ensuring fairness, transparency and equality of pay in the remuneration of its employees. The Combined Authority has adopted the Human Resources Framework and Policies of Stockton-on-Tees Borough Council, which includes the pay and grading structure.

Chief Officers and Senior Management Team

3. The Combined Authority's Senior Management Team, including posts defined as Chief Officers under the Localism Act, consists of the following posts:

Job Title	Grade	Salary
Group Chief Executive	Chief Executive	£170,000
Group Director of Business, Skills, Strategy and Policy	Group Director	£118,000
Group Clean Growth and Innovation Director	Group Director	£118,000
Group Exec Director of Finance & Resources	Group Director	£118,000
Group Exec Director of Commercial & Delivery	Group Director	£118,000
Group Chief Legal Officer	SM1	£80,697

4. A full schedule of the Combined Authority pay grade structure is provided at Annex A. Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment.
5. The salaries for Chief Officers have been determined through independent analysis and benchmarking and reflect rates which are reasonably sufficient to recruit and retain senior officers, taking into account market conditions. The grades attributable to Chief Officer posts are subject to job evaluation and based on clear salary differentials which reflect the level of responsibility attached to any particular role.
6. Chief Officers do not receive bonus payments or performance related pay nor do they receive any benefits in kind paid for by the employer. Where a Chief Officer meets the criteria for entitlement to expenses these are paid in accordance with the Combined Authority's policies, aligned with those of Stockton-on-Tees Borough Council. Increases in pay for Chief Officers will occur only as a result of:

- Pay awards agreed by way of national/local collective pay bargaining arrangements;
 - significant changes to a Chief Officer's role which result in a higher salary being appropriate as confirmed by the outcome of an appropriate job-evaluation process; or
 - recruitment and/or retention payments which, in all the given circumstances at the relevant time, are deemed necessary in the best interests of the Combined Authority and which are determined under the relevant policy relating to such payments.
7. It is expected that Chief Officers will perform to the highest level. Performance related pay therefore does not form part of current remuneration arrangements. This position will be reviewed if legislation and/or guidance relating to Chief Officer posts changes.
8. Under the Combined Authority's constitution, appointment to the Chief Executive and Director roles are a matter for Cabinet. All other posts are appointed under delegation to the Chief Executive.

Payments to Chief Officers upon termination of their employment

9. Chief Officers who cease to hold office or be employed by the Combined Authority will receive payments calculated using the same principles as any other member of staff, based on entitlement within their contract of employment, their general terms and conditions, and existing policies. The Combined Authority adopts the policies of Stockton-on-Tees Borough Council, for application in these circumstances.
10. In the case of termination of employment by way of early retirement, redundancy (voluntary or otherwise) or on the grounds of efficiency of the service, the Pensions and Retirement Policy sets out provisions which apply to all staff regardless of their level of seniority. The Pensions and Retirement Policy also sets out the applicable provisions in respect of awarding additional pension entitlement by way of augmentation or otherwise.

Employment of Individuals Already in Receipt of a Local Government Pension

11. The approach to the employment of individuals already in receipt of a local government pension is set by the Teesside Pension Fund. The Fund has resolved not to abate pensions on re-employment, having regard to the enactment of regulations introducing flexible retirement, unless an enhanced ill-health retirement has been awarded.

Employment of Ex-Employees as Chief Officers under a Contract for Services

12. The Combined Authority does not generally support the employment of ex-employees as Chief Officers under a contract for services. However, there may be circumstances where the employment of an ex-employee under these terms is the most effective and efficient way of meeting the Combined Authority's needs. If this situation applies formal approval will be sought from the Chief Executive in their role as head of the paid service, in consultation with Cabinet members, and any such arrangement would not progress without their support. In addition the Government has introduced legislation to enable the recovery of exit payments for higher paid employees returning to the public sector.

Remuneration of Lowest Paid Employees

13. Stockton Borough Council introduced its Single Status Agreement on 1st April 2008, and this framework has been adopted by the Combined Authority. The lowest paid employees within the Combined Authority are appointed to jobs which have been evaluated using the NJC Job Evaluation Scheme and are remunerated accordingly.
14. As part of the budget setting process for 2020/21 the Combined Authority has adopted the recommendations of the Living Wage Foundation, in respect of directly employed staff. From 1st April 2020, the Combined Authority committed to paying no less than the Real Living Wage, currently £9.90 per hour, and apprentices are paid at this rate accordingly

Relationship between Chief Officer and Non-Chief Officer Remuneration

15. The 'pay multiple' for the Combined Authority is determined by comparing the pay of the highest paid employee (Chief Executive) against the median average pay, using hourly rates as at 31st December 2021, for employees within the scope of this statement.
16. The Combined Authority's current Median Hourly rate is £19.14 and the pay multiple (the ratio between the highest paid salary and the average salary of the whole of the Combined Authority's workforce) is 4.6

General Principles Regarding the Remuneration of Staff

17. The Combined Authority has established pay and grading structures, founded on evaluation of job roles using job evaluation, which ensures a fair and transparent approach to pay and the same grading of jobs which are rated as equivalent. The Single Status Agreement was subject to an equality impact assessment by Stockton-on-Tees Borough Council, as well as being approved by the respective trade unions' equal pay units.
18. All employees are recruited in accordance with the Combined Authority's Recruitment Policy and are appointed on the minimum of the grade unless there are exceptional circumstances which would warrant appointment above the minimum of the grade. However, where an employee is redeployed because of redundancy or ill health into a lower graded job they will generally be appointed to the highest spinal column point of the lower grade, where appropriate, with salary protection to minimise the financial loss.

Publication of and access to Information Relating to Remuneration of Chief Officers

19. The Combined Authority will publish their Pay Policy Statement, following approval of the Cabinet, on the Combined Authority's website. In addition, remuneration related data associated with the Pay Policy Statement and Code of Recommended Practice for Local Authorities on Data Transparency will be published on the Council's website no later than 31st March and information related to the public sector equality duty no later than 30th June.

Annex A to Appendix 5 – Salary grade structure Table 22-23

New Grade	01/04/2021	
	New SCP	Annual Salary
C	3	18,562
D	4	18,933
E	5	19,312
E	6	19,698
F	7	20,092
F	8	20,493
G	9	20,903
G	10	21,322
G	11	21,748
G	12	22,183
H	14	23,080
H	15	23,541
H	16	24,012
H	17	24,491
I	19	25,481
I	20	25,991
I	21	26,511
I	22	27,041
J	23	27,741
J	24	28,672
J	25	29,577
J	26	30,451
K	27	31,346
K	28	32,234
K	29	32,910
K	30	33,782
L	31	34,728
L	32	35,745
L	33	36,922
M	34	37,890
M	35	38,890
M	36	39,880
N	37	40,876
N	38	41,881
N	39	42,821
O	40	43,857
O	41	44,863
O	42	45,859
P	43	46,845
P	44	47,962
P	45	49,168
Q	46	50,242
Q	47	51,112
Q	48	52,002
SM4	49	56,073
SM4	50	57,242
SM4	51	58,412
SM3	52	60,749
SM3	53	61,916
SM3	54	63,080
SM2	55	71,973
SM1	56	80,697
AD1		82,333
AD2		89,916
AD3		95,419
Dir		118,000
CE		170,000