

Tees Valley Combined Authority Cabinet Agenda

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Date: Wednesday, 28th March, 2018 at 1.00pm

Venue: Cavendish House, Teesdale Business Park, Stockton-on-Tees,
TS17 6QY

Membership:

Mayor Ben Houchen (Tees Valley Mayor)
Mayor David Budd (Mayor of Middlesbrough)
Councillor Bill Dixon (Leader of Darlington Borough Council)
Councillor Christopher Akers-Belcher (Leader of Hartlepool Borough Council)
Councillor Sue Jeffrey (Leader of Redcar and Cleveland Borough Council)
Councillor Bob Cook (Leader of Stockton-on-Tees Borough Council)
Paul Booth (Chair of Tees Valley Local Enterprise Partnership)

Associate Membership:

Darren Hankey (Member of Tees Valley Local Enterprise Partnership)
Professor Paul Croney (Member of Tees Valley Local Enterprise Partnership)
Jerry Hopkinson (Member of Tees Valley Local Enterprise Partnership)
Angela Howey (Member of Tees Valley Local Enterprise Partnership)
Alistair Hudson (Member of Tees Valley Local Enterprise Partnership)
Mike Matthews (Member of Tees Valley Local Enterprise Partnership)
Siobhan McArdle (Member of Tees Valley Local Enterprise Partnership)
Nigel Perry (Member of Tees Valley Local Enterprise Partnership)
David Soley (Member of Tees Valley Local Enterprise Partnership)
Albert Pattison (Member of Tees Valley Local Enterprise Partnership)
Graham Robb (Member of Tees Valley Local Enterprise Partnership)

AGENDA

- 1. Apologies for absence**
- 2. Declarations of Interest**
- 3. Minutes**

The minutes of the meetings held on 5th February, 16th February and 22nd February 2018 for confirmation

Tees Valley Combined Authority Cabinet Agenda

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4. Announcements from the Chair

5. Managing Director's Update

Attached

6. Strategic Transport Plan and Transforming Cities Fund

Attached

7. Investment Plan Delivery Report

Attached

8. Middlesbrough Station

Attached

9. Culture, Tourism and Events Update

Attached

10. Advanced Manufacturing Sector Action Plan

Attached

11. Performance, Evaluation and Research Framework

Attached

12. Combined Authority Budget 2017/18 – Quarter 3

Attached

13. Treasury Management Strategy 2018/19

Attached

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14. Annual Audit Letter 2016/17

Attached

15. Delegated Decision Making and Governance Update*

Attached

**Appendix 2 of this report is not for publication by virtue of paragraphs 1 and 2 of schedule 12A of the Local Government Act 1972*

16. Date of next Meeting

AGM tbc

FOR INFORMATION

17. Delegated Decisions

Attached

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers. Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Sarah Brackenborough, 01642 524423 or sarah.brackenborough@teesvalley-ca.gov.uk.

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Teess Valley Combined Authority Declaration of Interests Procedures

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the [Combined Authority's Constitution](#) under the "Code of Conduct for Members" (Appendix 8).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The five Councils are constituent authorities of the Combined Authority, integrated within its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before

leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

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TEES VALLEY COMBINED AUTHORITY CABINET

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 9.00am on
Monday, 5th February, 2018**

These minutes are in draft form until approved as the next Cabinet meeting and are therefore subject to amendments.

<u>ATTENDEES</u>	
<u>Members</u>	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Mayor David Budd	Mayor of Middlesbrough
Councillor Christopher Akers-Belcher	Leader, Hartlepool Borough Council
Councillor Bob Cook	Leader, Stockton-on-Tees Borough Council
Councillor Bill Dixon	Leader, Darlington Borough Council
Councillor Sue Jeffrey	Leader, Redcar and Cleveland Borough Council
Paul Booth	Chair, Tees Valley LEP
<u>Associate Members</u>	
Darren Hankey	Member of Tees Valley LEP
David Soley	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
Sarah Glendinning	Observer, on behalf of the Tees Valley Business Representative Bodies
<u>Apologies for Absence</u>	
Professor Paul Croney	Member of Tees Valley LEP
Nigel Perry	Member of Tees Valley LEP
Angela Howey	Member of Tees Valley LEP
Mike Matthews	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
<u>Officers</u>	
Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Neil Schneider	Chief Executive, Stockton-on-Tees Borough Council
Ada Burns	Chief Executive, Darlington Borough Council
Amanda Skelton	Chief Executive, Redcar & Cleveland Borough Council
Gill Alexander	Chief Executive, Hartlepool Borough Council
Andrew Lewis	Managing Director, Tees Valley Combined Authority
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority
Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Julie Gilhespie	Finance Director, Tees Valley Combined Authority
Shona Duncan	Head of Skills, Education & Employment, Tees Valley Combined Authority
Mark Wilson	Head of Transport, Tees Valley Combined Authority
Geraldine Brown	Policy Manager, Tees Valley Combined Authority

Also in Attendance	
Cllr Norma Stephenson OBE	Chair, Overview & Scrutiny Committee
Cllr Ian Haszeldine	Vice Chair, Overview & Scrutiny Committee

TVCA 60/17	<p>DECLARATIONS OF INTEREST</p> <p>Cllr Sue Jeffrey declared an interest in agenda item 8 as Leader of Redcar & Cleveland Council.</p> <p>Cllr Bill Dixon declared an interest in agenda item 9 as Leader of Darlington Council.</p> <p>Graham Robb declared an interest in agenda item 9 as owner of a business operating within the area of the project.</p> <p>Mayor Ben Houchen declared an interest in item 15 as Chair of the STDC Board</p> <p>Cllr Sue Jeffrey declared an interest in item 15 as Vice Chair of the STDC Board</p> <p>Mayor David Budd declared an interest in item 15 as a member of the STDC Board</p> <p>Paul Booth declared an interest in item as a member of the STDC Board</p> <p>Graham Robb declared an interest in item 15 as a member of the STDC Board</p> <p>Jerry Hopkinson declared an interest in item 15 as an employee of a business operating in the site.</p>
TVCA 61/17	<p>MINUTES</p> <p>Consideration was given to the minutes of the meeting held on 21st December, 2017. Sarah Glendinning requested that the minutes be amended to reflect her attendance at the meeting.</p> <p>RESOLVED that the minutes of the meeting held on 21st December be amended as set out above, and then confirmed and signed as a correct record.</p>
TVCA 62/17	<p>ANNOUNCEMENTS FROM THE CHAIR</p> <p>It was noted that Alistair Hudson had now stepped down as LEP Member to take up his new position. The Mayor asked that a letter of thanks from the Cabinet be sent to Alistair.</p>
TVCA 63/17	<p>MANAGING DIRECTOR'S UPDATE</p> <p>Consideration was given to a report from the Managing Director, providing an update on key activities of the Combined Authority since the last Cabinet meeting.</p> <p>The Cabinet discussed the progress being made with the proposal for Freeport status. Discussions were ongoing with the Association of British Ports and the UK Major Ports Group.</p> <p>RESOLVED that the Managing Director's update be noted.</p>
TVCA 64/17	<p>COMBINED AUTHORITY BUDGET 2018/19</p> <p>The Cabinet considered the Combined Authority draft budget 2018/19, following a period of consultation. During the consultation period, the Overview and Scrutiny Committee held a task and finish group to look at the budget in detail.</p>

The Chair and Vice Chair of the Overview and Scrutiny Committee were in attendance at the Cabinet meeting and presented the report on behalf of the Committee. They noted that the task and finish group had considered detail on all aspects of the budget, including an allocation to Durham Tees Valley Airport, staffing for the Combined Authority and how the Combined Authority budget differed to a Local Authority budget. They thanked officers for their support with the process.

Councillor Sue Jeffrey thanked Mayor Ben Houchen for his remarks and opening statement and made the following comments:

- The low number of responses to the consultation process was disappointing;
- £5m was available in the budget in November 2017 for South Tees Development Corporation and the balance is for keepsafe, and therefore doesn't appear in the Investment Plan;
- There is no clarification of successor funding for European Funds;
- The 4 main Transport priorities remain unfunded;
- The capacity for the Local Authorities to act as effective partners is increasingly difficult;
- That she would be proposing amendments to the draft budget:
 - decrease the delegated decision limit from £1 million to £0.250 million;
 - requesting that the £0.500 million allocation within the draft budget for legal and financial assessments for Durham Tees Valley Airport support proposals made by Peel Holdings Ltd in their letter of 2nd February to Mayor Houchen;
- Further information be provided on efficiencies and staffing within the draft budget.

Councillor Christopher Akers-Belcher requested that the delegation to the Managing Director for the Development Fund be changed to include consultation with the Portfolio Holder for Investment and Business Growth. In addition, Councillor Aker's-Belcher raised concerns over the section on the appointment of ex-employees in the pay policy statement. The Managing Director gave assurances that any such situation had not arisen, would be in consultation with the Cabinet and would not proceed without their agreement. The pay policy statement would be updated to reflect this.

Mayor Ben Houchen indicated that he had not seen the letter and proposal from Peel Holdings Ltd, and expressed his disappointment that this situation had arisen at such short notice. The Mayor also indicated his opposition to providing money to Peel Holdings Ltd without proper assessment of the proposal, and clarity on the re-investment of funds secured through housing development.

A number of the Associate Members expressed their support for exploring all available options for securing the future of Durham Tees Valley Airport.

Councillor Sue Jeffrey moved, and Mayor David Budd seconded, an amendment to the draft budget:

- That given the lack of any new plan for Durham Tees Valley Airport and the resulting risk to Local Authority investment in the airport that, in line with the Combined Authority/Durham Tees Valley Airport development proposal set out in March 2017, the CA agree that the £0.5m funding for legal and financial assessments set out in paragraph 28 support

proposals made by Peel Holdings in their letter of 2nd February 2018 for route support, marketing and enhanced airport services. That this arrangement be progressed with utmost priority to support Peel Holdings in securing the viability of the airport post 2021.

There was a discussion on this and the Mayor requested clarification on whether this constituted an amendment to the draft budget or whether it was a project proposal and could be dealt with under the usual arrangements for considering investments through the Cabinet process. The Monitoring Officer confirmed that the proposed amendment as worded would be for a de-allocation and a subsequent new allocation of funding, and as such would therefore be an amendment to the budget requiring a majority vote by the five Constituent Authority Members, excluding the Mayor. It was advised, however, that creating this new allocation would not pre-empt any decisions that would need to be brought forward to Cabinet separately on how to spend the funds once they had been allocated. The Managing Director described the decision making process that would need to be followed for a proposed amendment to the draft budget.

The Mayor indicated that he would be willing to widen out the existing development fund allocation to cover other activities for the future development of the airport, in order to avoid a formal proposal to amend the draft budget. Councillor Bill Dixon requested a short adjournment to the meeting to consider this, which was agreed by the Chair. Following the short adjournment, Councillor Sue Jeffrey confirmed her proposed amendment.

A vote took place on the proposed amendment to the draft budget. Councillor Sue Jeffrey, Mayor David Budd, Councillor Christopher Akers-Belcher, Councillor Bill Dixon and Councillor Bob Cook voted in favour of the amendment. The proposed amendment was carried, and a report proposing an amendment to the Mayor's draft budget was therefore agreed

In line with legislative requirements, Cabinet agreed to give the Mayor 5 working days to consider the proposed amendment and publish his response. Cabinet would meet again on Friday 16th February to consider the Mayor's response.

The Monitoring Officer confirmed that the request to amend the delegated decisions was a procedural issue and would not be treated as an amendment to the draft budget, therefore the standard voting arrangements would apply.

Councillor Sue Jeffrey moved, and Mayor David Budd seconded, that the £1 million limit for the project commitments delegation, approved at the July 2017 Cabinet meeting, be reduced to £0.250 million. A vote took place and Councillor Sue Jeffrey, Mayor David Budd, Councillor Christopher Akers-Belcher, Councillor Bill Dixon and Councillor Bob Cook voted in favour of the proposal. Mayor Ben Houchen voted against the proposal. Under paragraphs (24) and (26) of the constitution, the proposal was neither carried nor rejected.

Councillor Christopher Akers-Belcher moved, and Mayor David Budd seconded, that the Development Fund delegation to the Managing Director, in consultation with the Chair, also be subject to consultation with the Portfolio holder for Investment and Business Growth. A vote took place and Councillor Sue Jeffrey, Mayor David Budd, Councillor Christopher Akers-Belcher, Councillor Bill Dixon and Councillor Bob Cook voted in favour of the proposal. Mayor Ben Houchen voted against the proposal. Under paragraphs (24) and (26) of the constitution, the proposal was neither carried nor rejected.

	<p>Cabinet requested further detail on the information on staffing and efficiency savings in the draft budget report. This would be brought to the meeting on 16th February for information.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. The draft amendment to the Budget report (set out above) be proposed for further consideration, according to the Combined Authority's constitution; ii. The Mayor be given 5 working days to consider the proposed amendment to the draft budget and publish his response; iii. Cabinet reconvene on Friday 16th February to consider the Mayor's response.
TVCA 65/17	<p>TREASURY MANAGEMENT STRATEGY 2018/19</p> <p>Consideration was given to a report detailing the proposed 2018/19 Treasury Management Strategy for Tees Valley Combined Authority. It was noted that the Strategy would be brought back in March once advice had been sought on term limits.</p> <p>RESOLVED that the strategy be noted, and brought back for further consideration in March.</p>
TVCA 66/17	<p>KIRKLEATHAM ESTATE</p> <p>Consideration was given to a report informing Cabinet of the requirement for additional funding for the Walled Garden and associated infrastructure at the Kirkleatham Estate in Redcar. The report also sought approval for up to £3.66 million of additional Combined Authority grant funding for the Walled Garden and Infrastructure Project and set out the wider Kirkleatham Estate programme and potential funding requirements for the future. Cabinet noted that all investments should include linkages to the City of Culture 2025 bid.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. subject to the satisfactory completion of due diligence under our Assurance Framework, the allocation of up to £3.66 million of additional Combined Authority grant funding in respect of the Project be agreed; ii. the finalisation of the amended funding and associated contractual arrangements for the Walled Garden and Infrastructure Project be delegated to the Managing Director and the Finance Director; iii. the wider Kirkleatham Estate programme and potential additional funding requirements for that programme in the future be noted.
TVCA 67/17	<p>FEETHAMS, DARLINGTON</p> <p>Consideration was given to a report which informed Cabinet of Darlington Borough Council's proposal to bring forward the development of new Grade A office accommodation at Feethams in Darlington Town Centre and also sought approval for up to £3.23 million investment into the Feethams office project, to enable the project to be brought forward for development. Cabinet requested</p>

	<p>that the study in to office space across Tees Valley be circulated to them once ready.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. Darlington Borough Council's ("DBC") proposal to bring forward the speculative development of approximately 3,900 sq.m. of new Grade A office accommodation at Feethams (the "Project") be noted; ii. the allocation of up to £3.23 million of Combined Authority investment funding in respect of the development of this office accommodation be approved subject to:- <ul style="list-style-type: none"> o the formal approval of DBC's funding for the Project (scheduled for its Cabinet meeting on 6th March 2018 and then full Council meeting on 22nd March 2018); o the ERDF application submitted by DBC being successful; o the Finance Director being satisfied that the case for prudential borrowing is made; o submission and assessment of an updated business case; and o the satisfactory completion of due diligence under our Assurance Framework. iii. the use of the Combined Authority's prudential borrowing powers, once they are in place, to fund the Project, with the repayments to be financed from rental income to be received as a result of the investment be approved; iv. the finalisation of the funding and associated contractual arrangements for the Project be delegated to the Combined Authority's Managing Director and Finance Director; v. a regular assessment of the office market across the Tees Valley, to enhance the evidence-base for future development of office space by the Combined Authority and its partners be established. This work will be circulated to Members for their information.
<p>TVCA 68/17</p>	<p>ENHANCING OUR LOCAL ECONOMIC IMPACT</p> <p>Cabinet considered a report identifying a commitment by the Combined Authority and South Tees Development Corporation to maximise the local economic impact of their work; directly, and through appropriate influence over private sector investors. It highlighted work that has taken place to date to support sustainable employment and develop regional supply chains, and set out the ambition to build on this in 2018.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. the commitment set out at paragraphs 1-3 of the report be agreed; ii. the measures currently in place, or in development, to enhance local economic impact, and comment on good practice from partner organisations, be noted; iii. a Working Group, and a terms of reference for the Group be established;

	<p>iv. a report from the Working Group be submitted to a Cabinet meeting in Summer 2018, and the report also be submitted to the South Tees Development Corporation Board for discussion.</p>
TVCA 69/17	<p>TRANSPORT FOR THE NORTH STRATEGIC TRANSPORT PLAN</p> <p>Cabinet considered a report regarding the Transport for the North Strategic Transport Plan. The draft Strategic plan was launched nationally for consultation on 16th February. Cabinet discussed membership for TfN and agreed that LEP membership should be included, and that they would be making this point to TfN.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. the content of the report be noted; ii. the Managing Director, in consultation with the Tees Valley Mayor, the Chair of the LEP and the Chair of the Transport Committee, be given delegation to submit a response to TfN's transport plan consultation on behalf of the Tees Valley, in line with our established priorities; iii. that TfN will hold its AGM on 8th February, to approve its constitution, including the establishment of a new TfN Scrutiny Committee be noted.
TVCA 70/17	<p>INSPIRING OUR FUTURE</p> <p>Cabinet considered a report presenting a summary of the recent consultation of the Education, Employment and Skills Strategy, "Inspiring Our Future", and the changes to be incorporated into the final document.</p> <p>Cabinet requested that as an addition to the strategy some "Pledges" be added that will highlight targets set in various areas of Education and Employment, for example, apprenticeships. It was also agreed that as cabinet are meeting again on 16th February that the Strategy be brought to this meeting for final agreement.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. the consultation recommendations and the updated strategy be noted; ii. the strategy document circulated be considered and any further comment be made by Friday 9th February; iii. The final strategy be brought to the Cabinet meeting arranged for 16th February 2018 for agreement.
TVCA 71/17	<p>ROUTES TO WORK</p> <p>Consideration was given to a report summarising the plans for the local delivery of the Routes to Work Pilot. Cabinet requested that they be provided with regular updates on the progress of the pilot as appropriate and also the process for decision making on the £1.5 million spend.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. the progress to date with the Tees Valley Routes to Work Pilot be noted;

	<ul style="list-style-type: none"> ii. the Local Delivery Plans for each Local Authority area, subject to further refinements in the light of further analysis and experience with the pilot over time, be supported; iii. Cabinet members be provided with regular progress updates on the pilot.
TVCA 72/17	<p>GOVERNANCE & APPOINTMENTS</p> <p>Consideration was given to a report setting out the terms of reference for the Land Commission, a change to the membership of the Overview & Scrutiny Committee and an update on the recruitment process for the independent member of the Audit and Governance Committee.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. the terms of reference for the Land Commission at Appendix 1 be approved; ii. the Combined Authority Portfolio Holder for Housing and Regeneration be added to the Land Commission Group for all future meetings; iii. The Combined Authority Portfolio Holder for Housing and Regeneration be included in the membership of the Land Commission. iv. the appointment of Cllr Matthew Storey to the Overview & Scrutiny Committee at Appendix 2 be approved; v. the appointment of the Independent Member for Audit & Governance Committee be delegated to the Finance Director and Chair of the Audit & Governance Committee.
TVCA 73/17	<p>SOUTH TEES DEVELOPMENT CORPORATION UPDATE</p> <p>This item was exempt and therefore the Chair asked any press and members of the public to leave the meeting room.</p> <p>Consideration was given to a report setting out the latest position at the South Tees Development Corporation, including an overview of the reports expected to come to Cabinet over the next few months for decisions.</p> <p>RESOLVED that the update report be noted.</p>
TVCA 74/17	<p>DATE OF NEXT MEETING</p> <p>Friday 16th February at 10.00am.</p>

TEES VALLEY COMBINED AUTHORITY CABINET

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 10.00am on
Friday, 16th February, 2018**

These minutes are in draft form until approved at the next Cabinet meeting and are therefore subject to amendments.

<u>ATTENDEES</u>	
<u>Members</u>	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Mayor David Budd	Mayor of Middlesbrough
Councillor Christopher Akers-Belcher	Leader, Hartlepool Borough Council
Councillor Bob Cook	Leader, Stockton-on-Tees Borough Council
Councillor Bill Dixon	Leader, Darlington Borough Council
Councillor Sue Jeffrey	Leader, Redcar and Cleveland Borough Council
<u>Associate Members</u>	
Darren Hankey	Member of Tees Valley LEP
David Soley	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
Professor Paul Croney	Member of Tees Valley LEP
<u>Apologies for Absence</u>	
Nigel Perry	Member of Tees Valley LEP
Angela Howey	Member of Tees Valley LEP
Paul Booth	Chair, Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
Mike Matthews	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
James Ramsbotham	Observer, on behalf of the Tees Valley Business Representative Bodies
<u>Officers</u>	
Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Neil Schneider	Chief Executive, Stockton-on-Tees Borough Council
Ada Burns	Chief Executive, Darlington Borough Council
Amanda Skelton	Chief Executive, Redcar & Cleveland Borough Council
Gill Alexander	Chief Executive, Hartlepool Borough Council
Andrew Lewis	Managing Director, Tees Valley Combined Authority
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority
Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Julie Gilhespie	Finance Director, Tees Valley Combined Authority
Shona Duncan	Head of Skills, Education & Employment, Tees Valley Combined Authority

TVCA 75/17	DECLARATIONS OF INTEREST There were no declarations of interest.
TVCA 76/17	COMBINED AUTHORITY BUDGET 2018/19 The Cabinet considered the Mayor’s response to the amendment put forward to the draft budget at the 5 th February Cabinet meeting. The Managing Director described the process and decision-making arrangements for the approval of the budget. The Constituent Local Authority Leaders expressed their disappointment that the Mayor was not in support of the proposed amendment and that Cabinet members had not been able to meet prior to this meeting to discuss the amendment. The Mayor expressed his disappointment that he received no advance notification of the amendment prior to the first budget meeting on 5 th February and stated that on all other areas of activity the Cabinet was working in agreement. Councillor Akers-Belcher requested that a report detailing the full arrangements surrounding delegated decision making be brought back to the next Cabinet meeting, and this was agreed by the Mayor. The Managing Director confirmed that, under paragraph 26 of the constitution, the proposals made at the 5 th February Cabinet were neither agreed nor rejected, and would be brought back to Cabinet for further consideration. Following a discussion, the Cabinet (excluding the Mayor), voted to reject the Mayor’s draft budget and approve the draft budget proposed at the 5 th February Cabinet meeting, incorporating the following amendment: <ul style="list-style-type: none"> • That given the lack of any new plan for Durham Tees Valley Airport and the resulting risk to Local Authority investment in the airport that, in line with the Combined Authority/Durham Tees Valley Airport development proposal set out in March 2017, the CA agree that the £0.5m funding for legal and financial assessments set out in paragraph 28 support proposals made by Peel Holdings in their letter of 2nd February 2018 for route support, marketing and enhanced airport services. That this arrangement be progressed with utmost priority to support Peel Holdings in securing the viability of the airport post 2021. RESOLVED that: <ol style="list-style-type: none"> i. The Combined Authority budget 18/19 be approved, incorporating the amendment set out above; ii. A report on the delegated decision making arrangements be brought to the March Cabinet meeting.
TVCA 77/17	INSPIRING OUR FUTURE Cabinet discussed the Inspiring Our Future Strategy and the process for final approval.

	<p>RESOLVED that:</p> <ul style="list-style-type: none"> i. Approval of the final document for final publication, formal launch and implementation be delegated to the Managing Director in consultation with the Mayor and the lead Cabinet Portfolio holder.
<p>TVCA 78/17</p>	<p>DATE OF NEXT MEETING</p> <p>Thursday 22nd February at 12noon</p>

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TEES VALLEY COMBINED AUTHORITY CABINET

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 12noon on
Thursday, 22nd February, 2018**

These minutes are in draft form until approved at the next Cabinet meeting and are therefore subject to amendments.

<u>ATTENDEES</u>	
<u>Members</u>	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Mayor David Budd	Mayor of Middlesbrough
Councillor Christopher Akers-Belcher	Leader, Hartlepool Borough Council
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David Soley	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
Angela Howey	Member of Tees Valley LEP
<u>Apologies for Absence</u>	
Darren Hankey	Member of Tees Valley LEP
Nigel Perry	Member of Tees Valley LEP
Professor Paul Croney	Member of Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
<u>Officers</u>	
Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Neil Schneider	Chief Executive, Stockton-on-Tees Borough Council
Ada Burns	Chief Executive, Darlington Borough Council
Amanda Skelton	Chief Executive, Redcar & Cleveland Borough Council
Gill Alexander	Chief Executive, Hartlepool Borough Council
Andrew Lewis	Managing Director, Tees Valley Combined Authority
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority
Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Julie Gilhespie	Finance Director, Tees Valley Combined Authority
Julie Prior	Legal and Commercial Manager, Tees Valley Combined Authority

TVCA 79/17	RESOLUTION TO EXCLUDE THE PRESS AND PUBLIC The Mayor proposed and Cabinet agreed to pass a resolution to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972, in order to allow Cabinet to consider matters of a commercially confidential nature.
TVCA 80/17	DECLARATIONS OF INTEREST There were no declarations of interest.
TVCA 81/17	DURHAM TEES VALLEY AIRPORT Cabinet had a wide ranging and constructive discussion on options for the future of Durham Tees Valley Airport. Officers briefed the Cabinet on a number of options for development. RESOLVED that: <ul style="list-style-type: none"> i. A full appraisal of potential options for the ownership and development of Durham Tees Valley Airport, ruling nothing in or out at this stage, be supported; ii. Proposals be developed to support the expansion and marketing of routes, to be led directly by the Combined Authority; iii. Clear timescales for assessment and decision making are developed, taking into account the need for appropriate commercial, operational and financial due diligence.
TVCA 82/17	DATE OF NEXT MEETING Wednesday 28 th March at 1.00pm

AGENDA ITEM 5

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

28 MARCH 2018

REPORT OF THE MANAGING DIRECTOR

MANAGING DIRECTOR'S UPDATE

SUMMARY

This report provides a general update on the key activities of the Combined Authority since the last Cabinet meeting, but which are not covered in other reports to this meeting.

RECOMMENDATIONS

For information and discussion.

DETAIL

South Tees Development Corporation

1. Consultation on the Site Masterplan is now complete and the statutory planning document has been endorsed. Cabinet members have been consulted on proposals to resolve the charges on the SSI site held by three Thai Banks, and discussions continue to secure a satisfactory resolution. Discussions with government officials are also underway to develop a joint proposal to Cabinet and Ministers for greater local ownership and responsibility for the STDC site, provided that any new risks and liabilities for the Combined Authority are appropriately funded and managed. The STDC continue to receive substantial interest in the site, with over 90 individual business enquiries. Further reports will be made to the STDC Board over the next few months, including on matters which will require a referral to Cabinet for ratification.

Financial Powers

2. Following agreement by the Cabinet, all five councils have now endorsed the proposal for the Combined Authority to receive borrowing powers. These powers are critical to the delivery of our Investment Plan, and allow the Combined Authority to take a long-term view and support transformational projects which deliver a local return. The proposals are now progressing through Parliament. In anticipation of

approval, our Investment Plan already includes a number of proposals which utilise these new powers, and therefore expand the opportunity for local investment.

3. The government also plans to bring forward new secondary legislation to enable Combined Authorities to levy a supplement on business rates. The power is already available to top tier councils, and is subject to considerable limitations. Applying the levy would require approval from the business community in a referendum, on the back of a specific investment proposal agreed unanimously by Cabinet. Businesses with low hereditaments are exempt, and authorities can also specify a higher threshold to limit the levy to the highest business rate payers. The levy power has not been used by any authority, and there are no plans for either the Combined Authority or our constituent councils to make use of this power. On this basis, the Mayor and Cabinet have agreed not to seek approval for this power from our constituent councils, and not to seek to apply the legislation to the Combined Authority.

Darlington 2025

4. A joint project board is being established between the Combined Authority, Darlington Council and Network Rail, to take forward the proposal for substantial investment in Darlington Station, supporting enhanced capacity on the Tees Valley rail network, and accommodating new Northern Powerhouse Rail and HS2 services. The next stage of work is to bring the proposition to GRIP3 standard: the level of investment business case required by DfT to unlock national funding. We aim to deliver this during 2018, allowing a decision to be made on the basis of a strong business case, for prioritisation as part of the next Rail Control Period. Given the priority of this project for the Tees Valley, we have expressed a commitment to contribute to the £3 million cost of the GRIP3 process, and to seek a contribution from DfT. A comprehensive report on progress will be brought to the next Cabinet meeting.

Durham Tees Valley Airport

5. The Cabinet held a Special Cabinet Meeting on 22nd February, and agreed the basis on which the Combined Authority's work in relation to the airport should progress. Work continues to establish a proposal for the purchase of a stake in the airport, and future reports will be made to Cabinet as these discussions develop, taking into account the need for a robust financial assessment. Work is also underway on a mechanism for supporting new routes, reflecting Cabinet's views on how such support should be led by the Combined Authority, and consistent with state aid restrictions. The Mayor and Cabinet Portfolio lead for Transport are considering proposals to establish such a mechanism.

Housing Investment

6. Following outline agreement with Homes England, the Combined Authority is convening a delivery plan to secure up to £100 million in housing investment through a multi-year investment programme. The work with partners has so far identified around 80 sites across the Tees Valley, identified in local plans, but where there are

capacity or financial gaps which hold back the delivery of new homes. Further work will be undertaken with partners, using additional development support, to bring forward investable propositions for consideration jointly with Homes England. A more extensive Housing Deal has now been concluded with the West Midlands and West of England Combined Authorities, and we will continue to explore with government the scope for additional investment and funding flexibilities for the Tees Valley. We are also taking forward discussions with Homes England and Highways England to deliver proposals brought forward by our constituent authorities to the Housing Infrastructure Fund, with the Hartlepool Western Growth Corridor identified as a particular priority.

National Horizons Centre

7. Construction has been formally launched on the National Horizons Centre, which will drive growth in the bioscience industries, following a £17.5million investment from the Combined Authority's devolved funding. The facility, being built by Teesside University at Central Park in Darlington, will concentrate on developing the technical, innovation and management skills and knowledge needed for the sector to continue to grow and generate jobs and wealth in Tees Valley and the UK.

Capacity Funding

8. The government has made available an additional £12 million for capacity support for Mayors and Mayoral Combined Authorities, and has now confirmed that the Tees Valley has been assigned £1 million a year for the two years 2018-2020. The Combined Authority budget, as approved by Cabinet, already identifies an increase in the core costs of the Combined Authority to meet anticipated capacity requirements, and at this stage we are not bringing forward further proposals to Cabinet for an overall increase in the core budget. The additional funding from MHCLG is nevertheless helpful in ensuring the Combined Authority can meet its increased capacity requirements without drawing on scarce revenue funding otherwise assigned to other priorities. In addition, we have made proposals to government for the capacity required to deliver the devolution of the £30 million Adult Education budget from 2019, and have now been allocated up to £500k by DfE for this purpose.

Northern LEP Coordination

9. The Chairs of the 11 Northern LEPs met the Minister for the Northern Powerhouse, Jake Berry, to consider the scope for greater collaboration on economic strategy across the North of England. The Chairs are considering proposals for coordination in the fields of energy, inward investment, innovation and technology. We have expressed support for this approach, conditional on the principle of subsidiarity and added-value, and subject to effective and fair governance being put in place. MHCLG has identified £500k of additional funding to support this approach.

Education, Employment and Skills

10. The Education, Employment and Skills strategy, “Inspiring our Future” has now been approved and will be launched on the 23rd April at a special meeting of the Education, Employment and Skills Board. The launch will be immediately followed by a workshop to agree a delivery plan for the Tees valley Careers initiative. In addition there will be an event on 9th May to discuss with schools and key stakeholders the launch of the Education, Innovation and Collaboration Fund.
11. The Department of Education recently launched a competitive opportunity for the development of Institute of Technologies that will deliver skills in technical sectors from level 3 upwards with a key aim to progress learners to degree level technical qualifications. A single application was submitted led by Hartlepool College, Teesside University and included two key employers as required, these being JDR Cables and EDF Energy. A decision on the application will be made in May.
12. The preparation for devolution of the Adult Education Budget continues at pace, with several Department of Education key deadlines achieved. An indicative budget of £30.5m has been received. The key milestones to be achieved in the period to June include satisfying the Department regarding the set Readiness Conditions, preparing for laying the Parliamentary Order and producing a Skills Plan for Tees Valley. A cabinet report seeking approval of the Order will be brought forward in May, with approval also required by the five councils.

FINANCIAL IMPLICATIONS

14. There are no financial implications to this report.

LEGAL IMPLICATIONS

15. There are no legal implications to this report.

RISK ASSESSMENT

16. This report is an update and therefore is categorised as low risk.

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AGENDA ITEM 6

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY
CABINET**

28 MARCH 2018

**REPORT OF THE
HEAD OF TRANSPORT**

PORTFOLIO: TRANSPORT

STRATEGIC TRANSPORT PLAN AND TRANSFORMING CITIES FUND

SUMMARY

The Tees Valley Combined Authority Transport Committee has led on the development of a Draft Strategic Transport Plan with supporting documents. It is proposed that the Combined Authority consult on the plan with the public and key stakeholders between May and August 2018 through an event within each local authority and an online and paper-based questionnaire.

At the Autumn 2017 Budget, the Chancellor announced a £1.7 billion Transforming Cities Fund (TCF). The allocation for the Tees Valley Combined Authority is £59 million for the period 2018/19 to 2021/22. Guidance has recently been issued on the application of the Fund. The investment should be focused on improving public and sustainable transport, helping to reduce congestion and on improving air quality. DfT are also keen that areas consider the use of new mobility systems and technology. These priorities fit well with the Tees Valley's own priorities.

RECOMMENDATIONS

It is recommended that the Combined Authority:

- i. Note the work led by the Transport Committee to develop the Combined Authority's first ever statutory Strategic Transport Plan
- ii. Note the allocation to the Tees Valley Combined Authority from the Transforming Cities Fund
- iii. Delegate finalisation of the plan to the Mayor and Chair of the Transport Committee in consultation with other Members of the Cabinet

DETAIL

Tees Valley Draft Strategic Transport Plan

1. The Tees Valley Combined Authority Transport Committee has developed a Draft Strategic Transport Plan in partnership with the five Local Authorities. This has included close collaboration on the development of the individual documents with officers at each of the authorities via the Transport Planning Officers Group (TPOG) and the Transport Advisory Group (TAG). In addition to regular updates, two workshops have been held with the Combined Authority Transport Committee to inform the plan's development.
2. The Plan has strong links to the Strategic Economic Plan and the Tees Valley Investment Plan. There is a need for the strategic transport plan to address issues such as the area's strategy for the cycling, walking, bus, rail and road networks and to guide and inform the use of Integrated Transport block funding by each of the Tees Valley Authorities.
3. A framework document was published in November 2016, which outlined the five main themes for transport in the Tees Valley, including what and how the Combined Authority planned to make improvements to them. The five themes are:
 - National Rail;
 - Major Roads;
 - Connecting Centres;
 - Supporting Economic Growth; and
 - Local Journeys.

Since this time an additional cross-cutting theme has been added:

- To Protect and Enhance the Local Environment.
4. The six themes are closely linked together and all contribute to the suggested vision for the future of transport in the Tees Valley:

“To provide a high quality, quick, affordable, reliable and safe transport network for people and freight to move within, to and from the Tees Valley”
 5. The framework document underwent a period of consultation, which received generally positive support but highlighted a number of areas where the strategy would need further strengthening.
 6. Mindful that we did not want the Strategic Transport Plan to become obsolete too quickly, we have adopted the approach of viewing the Plan as a suite of documents, with the Strategic Transport Plan being the overarching transport policy for the Tees Valley Combined Authority, and with much of the detail of what is needed to support our vision for transport being contained within a series of daughter documents, which will be updated regularly as delivery of the identified actions and interventions occurs. The documents are the:

- Tees Valley Road Strategy;
- Tees Valley Rail Strategy;
- Tees Valley Freight Strategy;
- Tees Valley Bus Vision; and
- Tees Valley Cycling & Walking Strategy.

These documents will also be supported by Local Implementation Plans (LIPs) produced by each of the local authorities following the plan's adoption. These LIPs will align local responsibilities and sources of funding with the overall Transport Plan. There will also be an Integrated Sustainability Appraisal of the Strategy.

7. Subject to agreement of the draft documents by the Cabinet, it is proposed to format and design the documents and then consult on the Strategy between May and August 2018. Key stakeholders and the public will be able to view the documents on the Combined Authority's website and at selected locations. There will also be a launch event plus a roadshow held within each of the local authorities. Stakeholders will be given the opportunity to comment on the Strategy through an online questionnaire and the normal postal and email channels. The Transport Plan and its supporting documents will be finalised for publication during April and an appropriate foreword agreed with the Mayor and Chair of the Transport committee prior to the release for consultation.
8. Informed by the findings of the consultation process, the final Strategic Transport Plan will be published during autumn 2018.

TRANSFORMING CITIES FUND

9. The Transforming Cities Fund is part of the Government's National Productivity Investment Fund (NPIF), which was announced in 2016. The Chancellor recently announced the NPIF would be extended by a further year (to 2022/23) and enlarged from £23bn to £31bn. A proportion of the fund is for transport.
10. £850m of the TCF fund was awarded directly to the 6 Mayoral Combined Authorities on a per capita basis. It is Capital funding to be used for local transport improvements. A remaining £850m is available to other cities of the UK via a competitive bidding process. Scotland has received a discrete allocation of £300m.

Mayoral Combined Authority allocations

£74m for Cambridgeshire and Peterborough;

£243m for Greater Manchester;

£134m for Liverpool City Region;

£80m for West of England;

£250m for the West Midlands; and

£59m for Tees Valley.

11. The fund will be allocated over four years: £140m in 2018/19; £355m in 2019/20; £485m in 2020/21; and £1.01bn in 2021/22.

The Tees Valley Allocation is profiled as follows:

18/19 £4m
19/20 £13m
20/21 £18m
21/22 £24m

Deployment of the Transforming Cities Fund

12. In establishing the fund, Government have suggested that the Transforming Cities Fund should be invested in transport plan outcomes with a particular emphasis on improving public and sustainable transport, helping to reduce congestion and on improving air quality. The TVCA is also encouraged to consider the use of new mobility systems and technology.
13. These objectives align very closely with our draft Transport Plan and the action plans associated with the Transport Plan's supporting documents provide an excellent basis upon which to define a programme of interventions targeted at these priorities.

FINANCIAL IMPLICATIONS

14. Preparing the draft Strategic Transport Plan has involved the use of external resources, and the Transport Committee approved development funding from the Combined Authority for this purpose. A total of £70,000 was allocated to the activities needed to produce the draft Plan, including to assist with technical work and to resource a statutory public consultation process.

LEGAL IMPLICATIONS

15. None.

RISK ASSESSMENT

16. This Strategic Transport Plan is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

17. The Framework Strategic Transport Plan underwent a period of consultation between November 2016 and January 2017. The Draft Strategic Transport Plan will be consulted upon over the summer of 2018 before the final Strategic Transport Plan is published in the autumn.

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Department
for Transport

Ben Houchen
Mayor of Tees Valley Combined Authority
Cavendish House
Teesdale Business Park
Stockton-on-Tees
Tees Valley
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D Be

From the Secretary of State
The Rt. Hon. Chris Grayling

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Website: www.gov.uk/dft

12 Mark

I am pleased to be writing to you as Chair of the Tees Valley Combined Authority (TVCA) to set out the details of TVCA's allocation from the Transforming Cities Fund. As announced at Autumn Budget 2017, TVCA will be receiving £59 million in capital grant from central government for transport investment programmes.

In establishing this fund, the Government aims to transform intra-city connectivity, supporting access to jobs across England's largest city regions and driving productivity. Investment should be focused on improving public and sustainable transport, helping to reduce congestion and improve air quality, and I encourage TVCA to consider use of new mobility systems and technology.

These allocations are being provided directly to Mayoral Combined Authorities to take investment decisions according to their own priorities. This is a new approach which demonstrates the Government's commitment to devolved decision-making for city regions. I strongly encourage you to ensure transport investment supports the wider local growth objectives of Tees Valley, and to engage the support of local stakeholders to maximise the impact of this funding, as I am sure you will.

Funding will be provided over four years to 2021/22, as detailed below, and will be a single grant for Tees Valley. As such, it will be your decision what transport investments you prioritise with this funding.

2018/19	2019/20	2020/21	2021/22	Total
£4m	£13m	£18m	£24m	£59m

Patricia Hayes, Director General of Roads, Devolution and Motoring will be writing to Managing Director, Andrew Lewis shortly, outlining more detail of the grant, and our expectations about transparency and ensuring value for money.

I look forward to hearing more about the programmes in which TVCA wish to invest.

The Transforming Cities Fund marks an important step in our support of elected mayors. I hope we can build on this progress; my Department stands ready to support you in developing your plans to ensure they have maximum benefit to the city region. I look forward to working with you and with TVCA to this end.

Handwritten signature in black ink, appearing to read "Chris Grayling".A handwritten flourish or mark, possibly a stylized letter or a decorative element, located below the signature.

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT

AGENDA ITEM 7

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY
CABINET**

28 MARCH 2018

**REPORT OF THE
INVESTMENT DIRECTOR**

PORTFOLIO: INVESTMENT

INVESTMENT PLAN DELIVERY REPORT

SUMMARY

This paper sets out progress made to date on delivering the Tees Valley Combined Authority Investment Plan which was published in April 2017. It summarises the overall investment programme (2016/17-2020/21) and provides updates since December 2017 when the last delivery report was presented to Cabinet.

The published forward plan sets out when projects are currently expected to come forward to Cabinet for an investment decision, although the precise timing is subject to review and depends on progress in establishing business cases.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the current position of the investment programme and delivery updates.

DETAIL

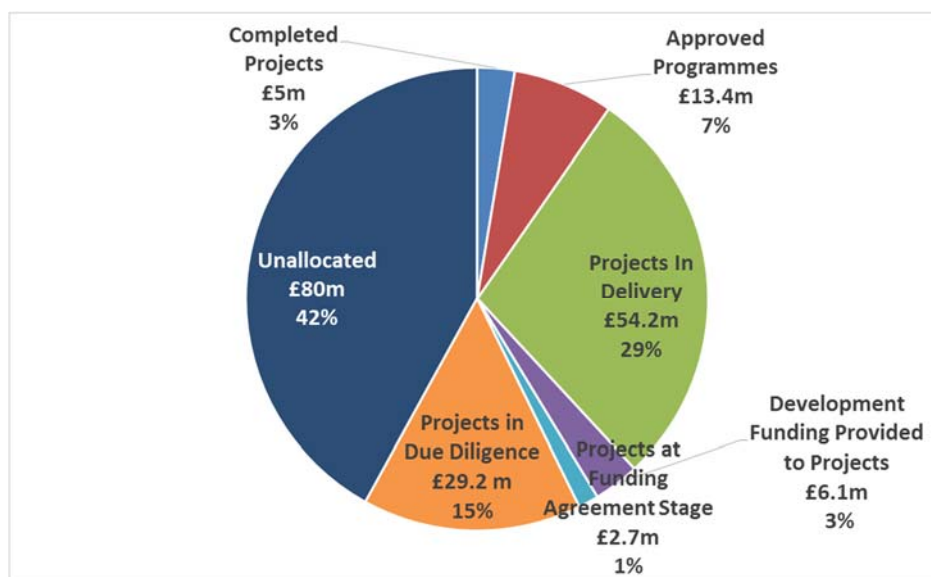
CURRENT SPEND POSITION & FORECAST

1. **Table 1 below summarises the current position of the investment programme, excluding European Funding.** This will be reported regularly to Cabinet and changes will be highlighted.

	£ million
Investment Plan Available Funds	303
Total Commitments	223
Total Pipeline	207
Investment Plan Balance	-127

2. **Chart 1 provides a breakdown of the investment programme (excluding specific grant expenditure)** at each stage of the assurance process through to

delivery and completion. This will be updated regularly and progress reported by exception.



3. **Table 2 below shows the current position on European Funding.** A separate paper will be presented to Cabinet in May setting out the action plan to deliver these. All Combined Authority pipeline projects have been considered for eligibility to access these funds and applications progressed where suitable.

	£M	£M	£M	£M	£M
	ALLOCATION	CONTRACTED	PIPELINE	AVAILABLE	AVAILABLE MINUS 6% PERFORMANCE RESERVE
ERDF	96.2	37.6	26.9	31.8	25.8
ESF/YEI	74.4	35.4	0	38.9	36.4
EAFRD	1.1	0.1	0.6	0.4	0.4
TOTAL	171.7	73.1	27.4	71.1	62.6

4. **Table 3 below shows the forecasted expenditure for 2017/18.**

	£ million
Total Spend to Date	14
Forecast for Q4	9
Total Spend Forecast 2017/18*	23

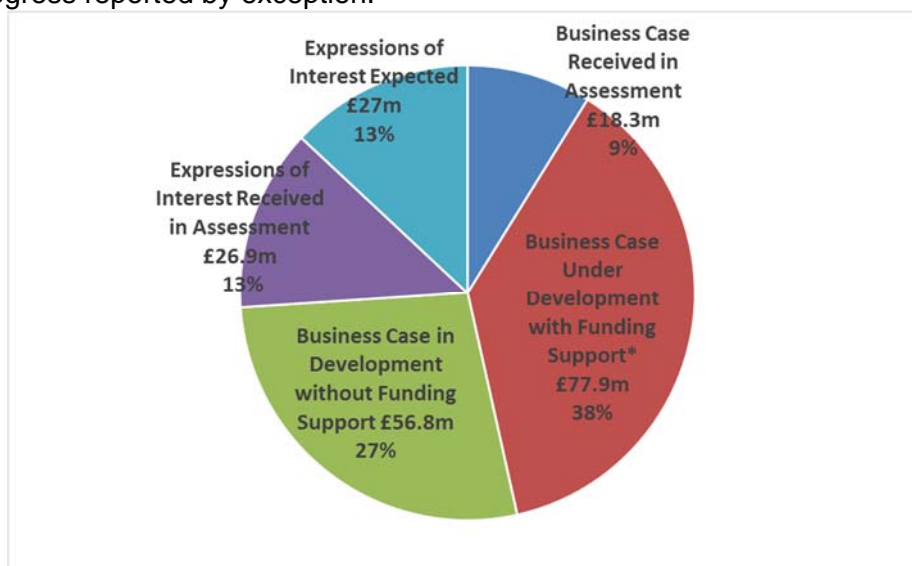
*excluding specific grants

5. Government is monitoring spend closely and efforts have been made to accelerate delivery of the investment programme this year. The programme is on track to spend £23 million in 2017/18.
6. The Combined Authority is also accountable for £112.9 million of specific ring fenced grants to projects in 2017/18, this includes £75 million of transport schemes such as DfT Access Fund, Local Transport Plan and National Productivity Investment Fund for transport, £11.5 million of SSI Task Force Capital Funding and other smaller projects such as One Public Estate, Great Places and City Deal funding to support

Carbon Capture and Storage development. The transport projects are delivered by the Local Authorities. Spend targets will be achieved this year.

PIPELINE

7. The current pipeline stands at £207 million. If Cabinet chooses to invest in all current pipeline projects this would lead to a shortfall of £127 million (42%) up to 2021, assuming that we invest at the levels required without borrowing.
8. **Chart 2 provides a breakdown of the pipeline** at each stage of the assurance process leading through to a Cabinet decision. This will be updated regularly and progress reported by exception.



9. Assuming that projects come forward in the timescales anticipated, we expect to have commitments in excess of our cash resources before the end of 2018/19 and consequently we are undertaking an exercise to assess the following:-
 - Alternative funding sources which may be available for pipeline projects
 - Opportunities to apply borrowing powers, where the conditions of the prudential code can be met;
 - Historical and future projects for which a borrowing case can now be made;
 - The timescale for returns from investments;
 - The timescale for decision making and delivery later in the programme, when other funds such as the UK Shared Prosperity Fund may be available (following a Spending Review expected in 2019); and
 - The level of over commitment to be accepted for the programme.

APPROVALS SINCE LAST REPORT

10. The following projects have recently been approved into the investment programme and are making good progress.

11. Middlesbrough Council, Teesside Advanced Manufacturing Park – Enterprise Zone Remediation and Development

TVCA Investment	£7.65 million	Total Project Cost	£22.46 million
Return	From Business Rates Potential for TVCA Borrowing		
Update	Site investigations are underway to determine the level of contamination on site.		

Start Date on Site	May 2018
Completion Date	Practical Completion August 2019 Site Open November 2019

12. Darlington Council, Feetham's Grade A Office Accommodation

TVCA Investment	£3.23 million	Total Project Cost	£8.5 million
Return	Shared risk and reward from rental income Potential for TVCA Borrowing		
Update	Awaiting an ERDF decision which is critical to the project delivery.		
Start Date on Site	September 2018		
Completion Date	September 2019		

13. Darlington Council, Salters Lane/Ingenium Park Infrastructure

TVCA Investment	£3.9 million	Total Project Cost	£5 million
Return	£2.3 million LGF grant £1.6 million shared risk and reward through sale of development plots Potential for TVCA borrowing		
Update	Car park at Morton Palms is complete, will open April 2018. Utility diversions underway and highways work will start in April. Spine Road will begin in October 2018. Salters Lane work will begin in August 2019.		
Start Date on Site	October 2017		
Completion Date	October 2019		

14. Redcar & Cleveland Council, Kirkleatham Catering Academy, Walled Garden and Infrastructure

TVCA Investment	£6.3m	Total Project Cost	£8.3m
Return	None		
Update	RCBC is working closely with the design team, RIBA Stage 4 technical report completed for the catering academy and walled garden. The additional infrastructure work is at an earlier stage and documentation is being prepared for tender in the next month. Meetings currently taking place to agree the programme with the contractor. Updated Business Case currently with TVCA and undergoing due diligence. Funding Agreement will need to be re-issued.		
Start Date on Site	March 2018		
Completion Date	March 2019		

15. The following projects have been approved through delegated decisions since the last report. CF = Committed Investment Funds and DF = Development Fund:-

Reference	Project	Amount	Date
CF04-2017	Hartlepool Innovation Skills Quarter Advance for Acquisition	£300,000	12/12/17
Summary			
Advance release of funds to support an urgent acquisition as part of the Innovation Skills Quarter development in Hartlepool, matched with £140,000 from HBC.			

Reference	Project	Amount	Date
CF05-2017	Lupine Films Ltd – Two Wolves	£80,000	12/12/17
Summary			
Exceptional opportunity within the culture programme. Grant support to develop pilot scenes using Tees Valley locations to promote the area.			
CF06-2017	Hartlepool Centre of Excellence for Technical Training for the Creative Industries	£655,660	15/12/17
Summary			
The project will bring the mothballed facility, currently known as the Northern Lights Academy (NLA) in Hartlepool, back into use. The centre was previously funded through the 'MyPlace' programme and is a £4.5million facility. Its core focus being the provision of technical education and learning pathways with specific emphasis on creative industries. Capital and revenue grant to support the first three years of operation with a clear exit plan. Total project cost £1,089,269			
CF07-2017	TWI - Nuclear Validation Centre	£500,000	21/12/17
Summary			
This project is linked to the existing TWI Validation Centre on TAMP and the pipeline project for a Nuclear Validation Centre on the same site. It will see Non Destructive Testing (NDT) research operations from the TWI Cambridge site be brought to Tees Valley. This is Phase 1 of the pipeline project for which TWI is currently seeking to secure ERDF.			
CF02-2018	Cool Running (NE) Ltd - Snow Centre	£250,000	01/02/18
Summary			
Part repayable grant, part commercial loan to support the final feasibility and design for the proposed Snow Centre at Middlehaven.			
DF02-2018	Concept Masterplan for Marshalling Yards	£190,000	07/03/18
Summary			
Whilst Stockton and Middlesbrough Councils have historically sought to develop this area of land, there has been no active project development on the site in the last decade. This piece of work will set out the opportunities and vision, concept masterplan options and an integrated master plan and delivery plan.			
Total		£1,975,660	

DELIVERY UPDATES (BY EXCEPTION)

16. Middlesbrough Council - Middlehaven Dock Bridge and Link Road

TVCA Investment	£3.9 million	Total Project Cost	£10 million
Start Date	July 2017		
Update	<p>Just over half of the construction programme is now complete. Key achievements to date include:</p> <ul style="list-style-type: none"> • South abutment foundation piles installed • Installation of central pier pilecap units • Major reconfiguration of the southern approach (Spepherson Way) and construction of the new link road on the north side of the dock 		

	Over the next few months a further 34 precast concrete units will be lifted into place and the bridge will really begin to take shape. The new road access will further open up around 25 hectares of strategically important mixed-use commercial and residential development land on the wider Middlehaven site, while also helping to ease congestion on the A66 trunk route.
Completion Date	Summer 2018

17. Teesside University – National Horizons Centre, Central Park

TVCA Investment	£17.5 million	Total Project Cost	£22 million
Start Date	February 2018		
Update	<p>Wates were formally appointed as the contractors for the National Horizons Centre. Construction began in February, marked by a ground-breaking ceremony by the Minister for the Northern Powerhouse and Local Growth, Jake Berry. Procurement planning for specialist equipment is under way.</p> <p>Delivery planning under way includes preparations to set up an Industry Board, development of specialist CPD programmes and Laboratory scientist degree apprenticeships, and a new university partnership to bring together complementary capabilities and expertise to create a vibrant bio-economy ecosystem. Recruitment of the NHC Director is due to take place in time for Summer.</p>		
Completion Date	March 2019		

18. Hartlepool Council - Hartlepool Innovation Skills Quarter Workspace and Public Realm

TVCA Investment	£5.1 million	Total Project Cost	£8.1 million
Start Date	October 2017		
Update	Public realm work, workspace renovation and extension of Grade 2 listed buildings on Whitby Street started in October 2017. Work on Church Square began in early March. The weather has caused some delays but the programme is still on track.		
Completion Date	Workspace to open in September 2018 Public realm works to be complete in Autumn 2018		

19. Education, Employment and Skills Inspiring our Future Programme

The Inspiring our Future Strategy was approved by Cabinet in February with the following programme breakdown:-

Priority	£m
Supporting education innovation and collaboration	2
Developing a skills system for business growth	2
Addressing long term unemployment (15-18 programme & work experience)	3.5
Creating a TV Careers & Enterprise Initiative	3
Business challenge and workforce planning	1.5
Total	12

ASSURANCE FRAMEWORK

20. All investment decisions must be made in line with the Assurance Framework agreed with Government as part of our Devolution Deal. This includes an assessment of business cases using Green Book Principles and the agreed assessment framework which informs recommendations made to the Cabinet.
21. Government conducted a number of 'deep dives' in March as to check the Assurance Framework is being applied correctly. This includes governance, accountability and decision making in terms of value for money and transparency. A Tees Valley audit was not undertaken in this round but may be in the future.
22. The Assurance Framework is currently being reviewed and TVCA awaits guidance from Government which is expected in Spring.

FINANCIAL IMPLICATIONS

23. No financial implications at this time.

LEGAL IMPLICATIONS

24. The Assurance Framework must be adhered to at all times. This was agreed with Government through the Devolution deal and if not followed can pose a risk to the investment programme and securing future funding.

RISK ASSESSMENT

25. This Investment Plan Delivery Report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

26. The review of the Investment Plan has been subject to consultation alongside the TVCA Budget.

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AGENDA ITEM 8

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

28 MARCH 2018

**REPORT OF THE
HEAD OF TRANSPORT**

PORTFOLIO: TRANSPORT

MIDDLESBROUGH STATION REDEVELOPMENT

SUMMARY

The purpose of this Report is to inform Cabinet of the joint proposal by Middlesbrough Borough Council ("MBC"), Network Rail ("NR") and the Combined Authority to work together to bring forward Phase 1 of the redevelopment of Middlesbrough Station ("the Project"); and to seek approval for £2.5m of Combined Authority investment by way of grant funding into the Project as set out in this report.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:-

- i. notes the progress with the delivery of a master plan for the redevelopment of Middlesbrough Station;
- ii. notes the work being carried out in partnership between MBC, NR and the Combined Authority to bring the Project forward;
- iii. subject to due diligence, approves the investment of up to £2.5m of Combined Authority grant funding into the Project, as set out in this report; and
- iv. delegates the finalisation of the funding and associated contractual arrangements to the Managing Director and the Finance Director.

DETAIL

Middlesbrough Station – Current Position

1. Middlesbrough's iconic railway station was originally built in 1877. It sits in the town's historic quarter and Enterprise Zone and is a vital link between the town's commercial and retail centre, civic buildings, Teesside University, Middlesbrough College, the Bus Station, Riverside Stadium and the Middlehaven regeneration area. The redevelopment of the station forms part of MBC's 2017 Investment Strategy

Prospectus which seeks to transform the town by 2025. Alongside Darlington, the Station provides interchange options from local services onto regional and long distance services and has a footfall of 1.3m entries and exits annually.

2. Over many years the Station has suffered from:-
 - a series of gradual and incremental changes that have resulted in a layout that does not promote or allow easy access by car, bus or on foot, and that fails to maximise the character of its historic architectural features;
 - lack of investment in track and key infrastructure capacity to address the number of current and planned rail services;
 - lack of investment needed to make it a welcoming and suitable passenger transport hub facility for Middlesbrough and the Tees valley in the 21st Century; and
 - increasing transport interchange issues.
3. The recent master plan for the Station illustrates how the Station and the surrounding area can be transformed over the next 5-10 years. The master planning work has focused on:-
 - developing a vision for the Station that reflects the significance of its strategic role and positioning within Middlesbrough town centre, the Tees Valley and the wider sub-region;
 - making provision for the projected capacity growth of the Station, allowing for an increase in rail demand including new direct services to London, new or extended platforms and potential electrification through to Teesport;
 - improving the Station area's car, taxi and bus integration, creating a properly integrated transport hub for the town and wider city region and a high quality customer-oriented interchange experience, recognising the increasingly important role of the site as one of the region's major transport nodes;
 - maximising the opportunities for retail/commercial development within the Station;
 - enhancing important public approaches to and from the Station, improving passenger orientation and wayfinding, and also visitor perceptions on arrival and first impressions of the town;
 - activating and enhancing areas of public realm around the Station, allowing the area to be opened up further; and
 - maximising the benefits from Enterprise Zone status, with the aim of attracting city-scale investment in the area, diversifying the town centre economy and generating business creation and growth in the enterprise zone area.
4. Passenger trains currently run via the Station to a variety of direct destinations, including Darlington, Bishop Auckland, Saltburn, Whitby, Newcastle, Carlisle, Hexham and Manchester Airport. In addition to passenger services, freight trains also pass the Station to the north along 'up' and 'down' goods lines en-route to and from Boulby Mine (Potash), Tees Dock (Containers), Wilton, Lackenby and Redcar (Corus/Steel).
5. Although it would be more convenient for trains terminating at the Station to dwell in platforms until their return journey, there is simply insufficient capacity to allow them to do so, even at current train service levels. A complex set of shunting manoeuvres is required and is dictated by the number of services that need to pass through the station within a standard hour, and is also complicated by the restrictive nature of current signalling around the Station.
6. The planned Virgin Trains East Coast ("VTEC") direct London service is a Combined Authority priority to improve connectivity and will be operating from the Station by 2020.

This will see significant service enhancements to and from the Tees Valley region for passengers for both business and leisure. Over the next 5 years, a significant increase in the number and type of services due to pass through Middlesbrough Station is therefore anticipated. These include:-

- VTEC services both to and from London Kings Cross, likely to require a dedicated platform for alighting and boarding and unable to shunt or stable in sidings due to their assumed length;
 - additional services to and from Whitby (up to 8 trains per day), doubling the number operating today; and
 - additional Northern Connect services to Newcastle and Carlisle.
7. It is understood that the Rail Industry believe there is insufficient capacity at the Station to accommodate all these services in its current layout.

Project Description

8. The current Project is Phase 1 of the proposed redevelopment of the Station and will comprise of:
- Improvements to the fabric of the station in the short-term to improve the passenger experience. This will consist of an interim measure to re-open the Southern entrance of the station (to be delivered in early 2018/19) and remediation of the undercroft of the station (to be delivered in 2019/20).
 - A review of the capacity needs of the station to ensure accommodation of current and planned rail services.
9. There is a short window of opportunity to work with Network Rail to improve the proposal to remediate the undercroft. Robust project governance arrangements have been agreed between the partners, and the Combined Authority will also provide project management capacity to support the delivery of the Project. Further phases of the project will be developed to deliver the wider aspirations of the station masterplan.

Ambition and Benefits

10. The Project aims to progress the delivery of the benefits sets out in the Station master plan, as described in paragraph 3 above.
11. This momentum will also provide assurance and further investor confidence for owner/occupiers of buildings in the surrounding area, revitalising the town's historic environment with new uses and amenities. It is well documented that the rateable value of surrounding premises can increase by up to 35% in areas associated with rail station developments, and the Project will adhere to an already approved and implemented Town Centre Design Guide, which will ensure the Project is consistent with all of the current, planned and future developments across the town centre.
12. Once complete, it is anticipated that the redeveloped Station will contribute towards:-
- improved accessibility in and out of Middlesbrough and the Tees Valley;
 - £5.8 million increased GVA generated by 2021;
 - additional business rates of approximately £300,000 per annum generated by 2025;
 - supporting the rebalancing of the Middlesbrough town centre economy;
 - the creation of new workspace to attract inward investment;

- leveraging private sector investment; and
- developing an “all day” economy, making Middlesbrough town centre a more vibrant location for the Tees Valley.

Funding

13. Funding for the Project covered in this Report will be provided as follows:-

- Customer facing aspects - £4.5 million:-
 - £2 million from NR;
 - £2 million from the Combined Authority; and
 - £0.5 million from MBC.
- Rail related aspects - £450,000:-
 - Capacity study (train services requirements) funding - £50,000 from the Combined Authority;
 - GRIP3 study – £200,000 from the Combined Authority and £200,000 from NR.
- The Combined Authority’s funding for both (a) and (b) above will be sourced from the TVCA’s single capital pot, it is recommended that a contingency sum of £250,000 be agreed as part of the TVCA’s overall contribution of £2.5m

FINANCIAL IMPLICATIONS

14. Approval of this proposal will accept the project into the Investment Plan committing £2.5 million of grant funding sourced from the TVCAs single capital pot.

LEGAL IMPLICATIONS

15. There are no specific legal issues arising from the provision by the Combined Authority of funding for the Project as set out above. The Combined Authority will use its standard funding agreement for capital projects to govern the terms of its funding into the Project. The funding agreement will be tailored so as to minimise the risks identified in the risk section below as far as possible.

RISK ASSESSMENT

16. The main risk is that the funding referred to in section 11 is insufficient to carry out the work planned. The risk of this occurring will be managed through the project governance arrangements and the letting and management of the relevant contracts for works and services. A £250k contingency allocation has been included to further mitigate this risk.

17. Conversely, the risk of not delivering the Project is that one of the region’s key stations is not redeveloped:-

- to address current issues in terms of passenger access and experience;
- to meet the requirements and maximise the benefits of increased rail service volumes, including the new VTEC London service; and
- to support the wider development of Middlesbrough Town Centre as a centre for activity and investment in the region.

CONSULTATION

18. MBC has already consulted widely on the master planning for the Station, and will continue to undertake consultations on the Project as it progresses.

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AGENDA ITEM 9

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

28 MARCH 2018

REPORT OF HEAD OF CULTURE AND TOURISM

PORTFOLIO: CULTURE & TOURISM

CULTURE, TOURISM AND EVENTS UPDATE

SUMMARY

The Tees Valley is the only new combined authority which has placed culture and tourism as the heart of its strategic economic plan. This report is an update on developments and progress over the last year in cultural activity, destination marketing development and includes the launch of the new Enjoy Tees Valley website. The report makes recommendations for approval for funding for two major sporting opportunities for Tees Valley. In addition there is an overview of the initial preparatory work taking place on our bid to be City of Culture in 2025 before a more detailed paper is brought to Cabinet in May.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note this report and progress on developing our Heritage and Culture programme, and the launch of Enjoy Tees Valley, our destination website and marketing activity.
- ii. Note the potential for Tees Valley destination marketing, with continued investment in culture and tourism assets, to add significant value to the visitor economy by 2020.
- iii. Note that many of the projects described in this report are considered 'pipeline' projects, funding is not confirmed and is subject to assessment and the ability of the project to contribute to Tees Valley strategic aims and criteria considering the economic and cultural value the project can offer to Tees Valley. The significant capital opportunities listed will be subject to future Cabinet decisions at appropriate stages.

- iv. Approve the match funding of £1,700,000 offer to the Northern Cultural Regeneration fund to bid for £4 million towards the Railway Heritage Project
- v. Subject to the satisfactory completion of due diligence under our Assurance Framework, approves the allocation of up to £340,000 of Combined Authority grant funding to the Great Tees City Games and Great Tees XCountry, and 'in principle' funding for up to a further £1.575 million to secure the Games to take place after 2019 until 2025.
- vi. Subject to the satisfactory completion of due diligence under our Assurance Framework, approve the allocation of up to £250,000 of Combined Authority grant funding to support a proposal to become a host venue for the Rugby League World Cup 2021.

Introduction

1. In March 2017 the Cabinet approved £1.8 million to begin our investment in culture and tourism. Initial work began investing in our major heritage attractions, those with the potential to attract significant new visitors to Tees Valley including investing in the Stockton and Darlington Railway heritage, the 17th Century Estate at Kirkleatham, and the Maritime and Military heritage of Hartlepool. Festivals and events such as Festival of Thrift, Stockton International Riverside Festival and a new Hartlepool Waterfront Festival have received investment, capacity investment is being made in various art form areas, and the new destination marketing team have launched the Enjoy Tees Valley website which lets us tell local, national and international visitors the great landscape, culture and attractions we have here.
2. The story of the Tees Valley is incredible. From the first accidental discovery of iron ore in the Cleveland Hills, to the making of steel, to the innovation of birthplace of the modern railway, to building the world from the Sydney Harbour Bridge to the Mobile Phone tower in London. Our explorers such as Captain Cook and Gertrude Bell are examples of the outward facing mind-set and connectivity which underpins much of the regions identity. A place of making, creativity and innovation, the Tees Valley story must be woven together through investment in new interpretation and in our heritage and cultural sites – a story which can be explored around Tees Valley by visitors and our communities.
3. 2025, the year of the 200th Anniversary of the Birth of the Modern Passenger Railway and will provide a strong focus for Tees Valley to bid to be UK City of Culture. In 2015 the Task and Finish Report identified both the growing energy and enthusiasm within the Tees Valley to drive progress towards securing, consolidating, and capitalising upon a strong creative arts and culture sector, not just for its own sake but the wider benefit of the economy and the community. There is much evidence that the process of bidding and becoming UK City of Culture will bring together diverse communities and organisations, our cultural sector and businesses to celebrate the innovation, heritage and stories of the region and create a more powerful sense of identity and confidence in Tees Valley improving social inclusion, business growth, place-making and connectivity between people and places.
4. Large events, especially those with TV broadcast potential, offer Tees Valley an opportunity to take the national stage. We are preparing bids to host City Games

over several years leading up to and including 2025, and also to host parts of the Rugby League World Cup 2021.

5. To tell the Tees Valley stories, communicate powerfully about our landscape, attractions, cultural offer, the new Enjoy Tees Valley website was launched on 17 March. Destination marketing activity has begun with VisitBritain and partners.

DETAIL

6. This report provides an update on the following activities undertaken by the Combined Authority in relation to Culture and Tourism:
 - Heritage Capital Projects
 - The River Tees Initiative
 - Festivals and Events
 - Great Place Programme
 - City of Culture Preparation and initial consultations
 - Capacity Building
 - Tees Valley Visitor Survey Findings 2017,
 - Tees Valley visitor economy economic impact research (STEAM model)
 - The development of the Tees Valley visitor website www.enjoyteesvalley.co.uk
 - Initial Marketing Campaign activity

Heritage Attraction Developments

7. Critical to attracting more visitors to Tees Valley, and engaging people with the heritage and stories of Tees Valley well, will be the quality of the museums and heritage sites and their interpretation content, and the connectivity of these sites and how they link the narratives together. We want to provide compelling reasons to encourage local people and visitors to learn more about Tees Valley and visit the key sites which help bring our story together and enhance the understanding of the interconnectivity of these narratives. Creating this interest by developing high quality narrative, interpretation and visitor experiences will extend visitor length of stay and encourage more overnight stays in the region thus contributing extensively to the growth in our visitor offer and the visitor economy.

Railway Heritage Development

8. Developing the potential of the world renowned Stockton and Darlington Railway to celebrate this important heritage and attract many more visitors to the region is a priority for Tees Valley. The Combined Authority, in partnership with Darlington BC, Stockton BC, and Durham CC, will lead on the development of this large and complex project with the appointment of a Heritage Capital Project Manager and an officer seconded from DBC as 'Rail Heritage Programme Officer'. This project on completion should attract a minimum of an additional 200,000 visitors per annum to Tees Valley.
9. The Railway Heritage Project is supported by the Heritage Lottery Fund and initial partners: have been brought together as members of the Railway Heritage Steering Group. Partners are: TVCA, DCC, SBC, DBC, A1 Trust, Network Rail, National Railway Museum (as part of the Science Museum Group), Historic

England, Virgin Trains EC, Friends of Stockton & Darlington Railway, Northern Rail and Northern Echo. Hitachi have expressed an interest in becoming part of the Steering Group and a representative will join the next steering group meeting.

10. There are three main strands to the project; each has both national and international visitor potential:
 1. Conserve and interpret the 26 mile railway track bed from Witton - Darlington - Stockton creating a heritage and nature walking and cycling route.
 2. Create an outstanding centre (major attraction) for the Railway Story to be told at North Road linked to a new site for the A1 Trust to build new Steam Trains with direct access to the track (joint attraction potential - history and future innovation).
 3. Create an outstanding 200th anniversary celebration event in 2025. A festival development company has been appointed to scope initial plans for the celebration.

11. The project has the ability to connect communities. A key 'golden thread' of the programme is how to connect people and community, through engaging them in project delivery, instilling civic pride, and ensuring they benefit from all initiatives through economic prosperity (jobs, business start-ups), skills and a better quality of life.

12. Heritage Action Zone (HAZ) status has recently been awarded to the Stockton and Darlington Railway by Historic England (one of eight awards in England). This will support research and conservation of the heritage assets as part of the larger development project and is a platform from which to develop the rest of the projects whilst developing more knowledge and understanding of the key assets needing conservation. A meeting with key partners took place on the 12th January and it was decided that TVCA are to lead on pulling together the delivery plan with input from all authorities. This will be submitted in April, with the partnership agreement following in May. We are looking to apply for a capacity building grant from Historic England to put in place a project officer who will oversee the daily management of the project and delivery plan implementation.

13. Planning for the 2025 bi-centenary. The Railway Heritage Steering Group met with Festivals and Events International (FEI) regarding the bi-centenary of the passenger railway. FEI have held consultations with key partners and stakeholders. FEI have now held meetings with the 4 authorities which provided a wealth of information and ideas. Meetings with many other stakeholders have taken place and FEI will report back to the Steering Group in March, with further consensus building sessions on planning the event following this. The final report is expected in May 2018. Strong themes for the bi-centenary are emerging around:
 - STEAM Expo
 - Live Steam
 - Community commission (largest train set in the country?)
 - Digital connectivity
 - Central commission
 - Smart Programming
 - Schools and education programme
 - Legacy projects

14. A walking and cycling task and finish group is being set up in February to create a walking and cycling route across the 26 miles, and to take advantage of the funding opportunities as they come up. Currently exploring EAFRD (European Agricultural Fund for Rural Development) funding options for upgrading walking/cycling path along Stockton & Darlington Rail route.
15. A brief to develop the 'grand narrative' of the Stockton and Darlington Railway through a powerful Interpretation Strategy has been drafted and will be going out to tender shortly. This 'grand narrative' will support the development of interpretation along the 26 mile route of the original track bed and form a framework for the world class railway heritage attraction at North Road. There will be further potential to use the interpretation framework to add information re the role of other stations (e.g. Middlesbrough and Saltburn) and branch lines as the railway developed.

Northern Cultural Regeneration Fund

16. A £4million bid to support the first phase of the Railway Heritage Project was submitted 30th November to DCMS who have set up the Northern Cultural Regeneration Fund to offer four north of England projects a share of the total pot of £15million. The project would see the development of the first phase of the Rail Heritage Quarter. Led by the Tees Valley Combined Authority alongside the A1 Stream Locomotive Trust and Darlington Borough Council, this major project includes the development of a world-class railway centre and will also provide expansion opportunities for the Trust and attract people from across the globe. Cabinet are recommended to approve al to offer the required £1.7 million match funding necessary to submit a bid to the fund.

Hartlepool Waterfront Development

17. In Hartlepool, the opportunity exists to create much more awareness of the maritime and military history of the town whilst creating high quality visitor and learning experiences. Investing in this heritage will create a catalyst for change within Hartlepool and the Tees Valley, increase visitor numbers, footfall and spend; create high quality architecture and public realm; improve the connectivity to the wider waterfront and Hartlepool area; encourage the sustainable use of the water and retain and create employment. The Waterfront development will consist of:
 - A Water sports Hub - Consolidating the many water based activities that currently take place around the Marina into one easy access location. A hub will allow an expansion of the offer of water based activities which will help to animate the waterfront. The hub will include indoor/outdoor extreme activities, linked with the National Museum of the Royal Navy to provide a "Navy-Style" assault course.
 - An outdoor events arena in the heart of the site, creating a hive of activity and a place of interest. The events space creates a platform suitable for hosting a range of temporary activities from markets and street food festivals to exhibitions, naval displays and music shows that will enhance the cultural offer of the Tees Valley.
 - Waterfront Core Visitor Attraction - A centre to explore maritime and military history with the story of Hartlepool combining the Hartlepool Museum with flexible exhibitions and events space using the best in digital and virtual reality exhibition technology.

- Expansion of the National Museum of the Royal Navy Hartlepool (NMRN) on the Waterfront site. The plans include significant investment in their existing site and the creation of new exhibitions and attractions in a new building which will tell the story of the Navy from the C18th to modern times.
- Strategic Waterfront Events Programme- A flexible outdoor space with access to core facilities will host a wide range of different events, bringing visitors to the town and creating a dynamic and perception changing atmosphere at the Waterfront.
- A 100 bed 4* hotel with conferencing and banqueting facilities. There is space in the market for a high quality landmark hotel development, which would fit with the overall vision for the Waterfront site.

Kirkleatham Estate and Stable Block

18. The 74ha Kirkleatham 17th Century Estate is a major asset in Redcar and Cleveland and Tees Valley, and one of the most significant heritage sites in the northeast of England. It contains 24 listed structures – some which are Grade 1 listed. Opportunities exist to create a much more significant cultural destination on the Estate, one which would provide a full day outing, a strong programme of cultural events, and a healthy opportunities to relax and explore heritage and culture in a large garden and landscape. The Estate encompasses the following assets:
19. Kirkleatham Museum, Kirkleatham Pavilion with 2.9 Ha of former nursery sites to the 18 Ha showground and 9 Ha woodland; The Stable Block and opposite, the Kirkleatham School and West Lodge (derelict); the Walled Garden amongst other buildings. The site has become home to the growing and renowned Festival of Thrift. This success of this festival at Kirkleatham demonstrates how the estate could become a more permanent centre for heritage, culture, sustainable living and leisure activities – contributing more strongly to the visitor economy of Redcar and Cleveland and Tees Valley.
20. The Walled Garden and Catering College element of the project are underway and the next phase of the project is to consider the most creative use of the conserved Stable Block – a set of buildings containing large and small spaces and offering much potential to become a cultural space with events, exhibitions and performance at its core. A feasibility study has been commissioned with RCBC into best combination of cultural content, retail and food/drink options for the Stable Block within the context of the whole site (which also includes gardens, catering college, and eventually a possible water park with Northumbrian Water as partner).
21. The Kirkleatham Estate already attracts upwards of 150,000 visitors per annum through a combination of the museum visitors and topical events such as Halloween and the Festival of Thrift. The potential to increase visitor numbers through broadening the range of activity on the site whilst creating a new cultural centre for Tees Valley is significant.

Red Barns

22. In Redcar, the former home of Gertrude Bell (expert on Middle East and explorer who advised pre WWII government on dividing up the Middle East) offers potential to become a valuable and distinct asset within Redcar and Tees Valley if

ownership matters can be resolved. A small trust has been established by Britain's leading expert on Philip Webb architecture, Peter Burman, and an early feasibility study undertaken pro bono to consider how this Arts and Crafts house, if refurbished could be best used. Early thoughts include possibly a high level research centre for Gertrude Bell's archive in partnership with Newcastle University, a museum related to Gertrude Bell's life and her father, Sir Hugh Bell's influence on Steel making in Tees Valley. In addition, restoring the house to its original Arts and Crafts glory, the house would attract many visitors in its own right.

The River Tees Initiative

23. The Tees Valley Mayor proposes to establish a new initiative to advance the economic, community and cultural value of the River Tees.
24. The River Tees is the reason our communities exist. It has shaped the economy of the Tees Valley over centuries. It is also central to our economic future. It is the common asset which unites the Tees Valley's local authorities, and around which our long-term future will be secured. Our deep water access to the North Sea is our largest economic asset, central to our industrial strategy and our gateway to world markets. Following extensive environmental improvements, the River is now reborn as an attractive focus for local communities and visitors.
25. The Tees flows through each of our five authorities. Each has plans to exploit its waterfront access – for tourism and leisure, for new residential developments, for business and industry. The Tees Valley Combined Authority is supporting many of those individual initiatives. But there is no forum for oversight of the River as a whole. The election of a new Tees Valley Mayor creates a focal point to add value to local initiatives, and ensure the great asset of the River Tees has regional and national significance.
26. The Mayor therefore proposes to establish a River Tees Forum, to unite partners towards a common action plan. The action plan will bring together:
 - an economic plan for the River Tees, ensuring its role in promoting business growth is fully exploited
 - a tourism and leisure plan, to make more use of the river as an attractive destination for local people and visitors.
 - an environmental plan, to ensure this great natural asset is preserved for future generations.
27. The Forum will:
 - put in place a River Tees plan of action framework utilising previous strategies and consultations, identifying pieces of work needed to maximise the economic impact the River can make

- maintain an overview of the River potential and create opportunities for sympathetic, co-ordinated and complementary projects which collectively improve the River facilities for sailors, swimmers, rowers, outdoor adventure facilities, pleasure craft, fishermen, land based leisure facilities including cafes, restaurants, sports and fitness facilities etc.. whilst maintaining environmental awareness
- develop an understanding of required infrastructure developments both land and water based, to improve access, and provide the support to implement these
- identify funding opportunities and develop partnership approaches to strengthen funding applications
- identify further environmental improvements for the Tees Catchment including the inter-tidal range, river banks and water quality will bring new species of flora and fauna and improve the appeal of the River
- support joint marketing and promotion initiatives and *Enjoy Tees Valley* digital and marketing campaigns to build a stronger profile of the River, its accessibility and associated leisure facilities
- identify opportunities for new transport services by boat, environmental exploration and leisure purposes and support the development of initiatives

Festivals and Events

28. Increasing the number and quality of festivals and events in Tees Valley will help create a more dynamic culture and attract many more visitors to area whilst making Tees Valley a better place to live and work. Last year we established the principles and criteria upon which we would invest in new and existing festivals and events. These criteria include assessing the quality of the arts, cultural and sporting activity to take place, the ability of the event or festival to grow and develop, and to attract significantly more visitors from outside the region. We also look at the ability of the festival and event and its cultural activity to help develop skills and experience in our cultural community, and how the activity will engage new audiences in a meaningful way.
29. Significant investment has been made into the Festival of Thrift at Kirkleatham in Redcar to enable it to grow and develop (45,000 visitors attended in Sept 2017, 10,000 more than the previous year). Additional support was provided to the Stockton International Riverside Festival to extend marketing activity, and funding provided to develop a new Waterfront Festival in Hartlepool – aiming to provide high quality arts and culture experiences which engage local people and begin to animate the Waterfront itself prior to development.

30. These initial investments help initiate and support and develop arts and cultural activity of extremely high quality and further investment will be made in new festivals and in growing those which have greater international and national potential such as:
31. T-Junction International Poetry Festival (support expansion to all boroughs). Andy Croft will lead work with several poets in 45 Tees Valley schools with support from Inspire 2 Learn as part of a plan supporting writing development in Tees Valley. The biennial Festival of Illustration developed by CCAD also has growth potential in terms of the scale of the exhibition and to attract more visitors.
32. Periplum - Glass Ceiling. Exploration of the history and heritage of suffragette women from all five boroughs in Tees Valley through archive and local family history development resulting in 3000 people performances in each place. TVCA and each Local Authority have agreed to support this programme of activity subject to additional support from the Arts Council.
33. Many other events offer the potential for growth and we are in discussion with the organisers of the Middlesbrough Mela, the Saltburn Food Festival, Cleveland County Show, a possible airshow, on how best support and investment can help meet our aims of a high quality, diverse and impactful events programme for Tees Valley.

Great Exhibition of the North (GEOTN)

34. The Great Exhibition of the North will take place from mid-June to early September this year in Newcastle and Gateshead and will provide a spectacle of Northern innovation, creativity and design. 1.7 million visitors are expected in NewcastleGateshead to explore the Exhibition, with an additional minimum of 1.7 million audience on-line.
35. GEOTN has requested support from TVCA to fund the digital company Animmersion to produce a 'Deep Frame' digital window on the Tyne (to be based at different times in five places throughout the Exhibition possibly at BALTIC, Eldon Square, Science City). The state of the art technology people can reimagine landscapes and ideas using new technology which allows for a shared virtual reality experience. TVCA is supporting Animmersion to create much stronger creative content to engage audiences at the event. This technology will be branded as from Tees Valley and showcase our world leading digital technology and innovation. We are also exploring the development of a functioning model which can illustrate the process of Carbon Capture and Storage which may be situated at Science City. GEOTN have now requested that some of our digital companies (Spearhead Interactive and Double 11 amongst others) work with them to display their usual work as leading exponents of digital technologies. This will give a strong Tees Valley digital presence and perhaps provide business opportunities for those invited to attend.
36. Sport offers good opportunities to engage more people, provide spectator events and grow interest in new ways of being healthy and living well. We have two major opportunities to host events offering good participation and television coverage for Tees Valley:

Rugby League World Cup 2021

37. Working with Middlesbrough BC and Middlesbrough FC we are in discussion with the Rugby League Association with regard to bringing a significant part of the 2021 Rugby League World Cup to Tees Valley. Bidding guidance was issued on the 17th January with final submissions required by 31st July 2018. The announcement on host venues will be made in January 2019.
38. RLWC2021 comprises of 3 main sporting events:
- Men's: 16 teams; 31 games; 14 venues; 5 weeks; group stages followed quarter-finals, semi-finals and final. Potentially up to 41 bids, although predominance has to be in Northern Powerhouse area.
 - Women's: 16 games; 8 teams; held at venues up to 12,000 capacity.
 - Wheelchair: 8 teams; 18 games; indoor arenas (can be temporary) likely to be held at 3 venues.
39. The guidance offered by RLWC2021 identifies that they are seeking to identify three ranges of stadia for the men's tournament in respect of capacity:
- 12,000 – 30,000: 7 stadiums and 17 games;
 - 30,000 – 50,000: 4 stadiums and 8 games;
 - 50,000+ - 3 stadiums and 6 games (Middlesbrough would not be a venue).
40. TVCA will work with MBC and MFC and Mowden Park to develop our bid to a required value of £250,000. The application will make a case for MFC as a host-ground for Tier 2 Mens' games, Rockliffe Hall as an official team base/training camp and Mowden Park Darlington as a venue to be used for training purposes and Womens' matches. Other partners and sponsors will be sought to support our bid. The rugby league are seeking, through excellence and innovation, engagement and growth, to build over time much stronger support for Rugby League in the North East and beyond the North West where it currently has strength as a participatory sport. The will offer legacy fund to help build the sport from grass roots in the region successful in terms of bidding to host part of the games. The BBC will broadcast all games of the RLWC2021, and Tees Valley will bid to host both games and international teams to secure part of the event.

The Great Tees CityGames and Great Tees XCountry

41. The world's favourite run and the City Games urban phenomenon could relocate to the Tees Valley, to showcase our unique combination of rural and urban landscapes, securing 3½ hours of live television coverage, broadcast in the USA, Europe and on the BBC. There is an opportunity to create a multi-year deal linking the powerful City Games brand, elite performance stars and mass participation sport to the Tees Valley 2025 City of Culture bid.
42. The Great Run Company, headed by Brendan Foster, are world leaders in mass participation and televised sporting events, including the Great City Games Series and renowned Great North Run (GNR) half marathon.

43. The Great Edinburgh X-Country and Great Edinburgh Winter run combine junior and senior mass participation runs with men's and women's elite races, delivering global audience reach through 2 hours of live broadcast television on US and European platforms and the BBC. Great Run Company are keen to bring this winter race back to the North East, presenting an exciting opportunity to showcase the Tees Valley landscape and drive participation in healthy lifestyles. The Great Run series is currently sponsored by Simply Health and drives a very positive health message.
44. The Great City Games series showcases athletics in an innovative way, providing an 'up close and personal' experience for spectators. This unique approach gives the sport the opportunity to attract new audiences, allowing them the thrill of competition outside of a traditional stadium setting. The unique IAAF ratified competition track surface attracts top class athletes to attend these events, as competition times will stand against traditional track and field stadiums.
45. The Great North City Games also includes a series of mass participation running events. The event is currently held in Newcastle and Gateshead and is staged the day before Britain's biggest running event, the Great North Run.
46. As Great Run Company build their 'City Games' profile there is an opportunity to bring the Games to the Tees Valley, securing 90 minutes of prime time TV coverage on BBC each time the event is staged, plus additional live and repeated coverage on other channels.
47. As the Combined Authority begins to establish a national reputation and challenge perceptions about the prospects for the conurbation, capitalising on the success of recent hosting of British Cycling National Road Race Championships and Tour De Yorkshire departure stages, City Games and X-Country could cement a reputation for ambition and scale in the minds of media commentators and opinion formers. Dynamic, positive live broadcasts revealing the dramatic urban and rural spaces within the Tees Valley alongside warm and friendly host audiences, could accelerate work to build tourism and attract investment and talent.
48. Great Run Company have seen the scale of events effectively delivered in Stockton, including the Stockton International Riverside Festival, and are confident that Stockton could host the first Tees Valley City Games and work with GRC to take the X-Country and the City Games to different parts of the conurbation over a period of years.
49. The combination of winter rural event and summer urban event presents an ideal vehicle to showcase the defining characteristic of the Tees Valley as a City Region of variety and contrast. Alternating annually the Tees Valley would host the urban street event, starting in 2019, and the international X-Country starting in

2020. In 2025 we would aim to host both as part of our City of Culture programme.

50. This is a time-limited opportunity and Stockton Borough Council (initially, with all five authorities subsequently should year one activity prove successful) is looking for TVCA support to help secure the City Games and International X-Country 2019 and beyond in the Tees Valley.

2019 Long-term opportunity

51. There is a model for longer term commitment to hosting Great Tees City Games and Great Tees XCountry events in 2019 and at intervals up to 2025 preferred by all local authorities. This schedule is below for information:

Games and XCountry, reduced frequency, reduced host contributions

Activity and costs (*000's)	2019	2020	2021	2022	2023	2024	2025	Total
City Games/Elite Mile (includes track and field infrastructure, Race Costs, 90mins TV coverage BBC, 2 x large screens)	225		225		225		255	930
Technical Costs (includes Event Village, Policing, Traffic, Road Closures, HVM, Plant, Security, Stewarding, Medical, Fencing, Site Infrastructure, Use of Facilities, Commentators)	105		105		105		135	450
Communications & Marketing	25		25		25		45	120
Hospitality	10		10		10		15	45
City Games Sub-total	365		365		365		450	1545
X-Country elite				200			200	400
X-Country mass run				50			50	100
Communications & Marketing				15			15	30
Hospitality				5			5	10
X-Country Sub-total				270			270	540
Total cost								2085
Income								
Host and sponsors (Games)	25		25		25		45	120
Host and sponsors (XCountry)				25			25	50
TVCA	340		340	245	340		650	1915
Total income								2085

52. There is no doubt that developing a series of sporting events which can become established in local and media calendars will over time attract much more engagement, contribute more strongly to public health, and attract more visitors. Opportunities to mitigate the costs involved would need to be explored through how sponsorship would reduce TVCA and host costs.

53. Early views of comparative activity such as the one day Cardiff half marathon show that that event attracts 58,000 attendees, of which 67% are local people, spending £1.6 million in the local economy. Attracting 25,000 attendees to the City games is therefore likely to add approximately £850k to the Tees Valley economy. Another event, the Canoe Slalom World Championships in the Lee Valley took place over 6 days, attracted 7,000 spectators and it has been evaluated contributed £1.28 million to the Lee Valley economy. A cultural comparison is the Hay Festival. Developed over many decades, and now with an annual attendance of 246,000 over 11 days, the economic value to the Welsh economy (mostly) is evaluated at £20.6 million.

54. There is always a risk in investing in new activity, but with the right support and partners, great annual events can emerge over relatively short periods of time. Subject to the potential for sponsorship to mitigate the overall costs of the City Games and Cross Country, and due diligence, these events could add a diverse and sporting strong thread of activity to our developing cultural scene.

Volunteer Development

55. We recognise that large-scale festivals and events require close partnership working. The successful deployment of such occasions is often reliant upon a significant level of volunteer support at the point of delivery. The opportunity to explore routes to building capacity in this regard is being considered. A skilled cohort of volunteers able to assist in supporting large scale events and communicating with our visitors will be an incredibly valuable asset and would enable many people to develop new skills which could assist with aspiration, new careers and job finding.

Great Place Greater Tees Programme

56. In March 2017 TVCA and its local authority and culture partners were successful in winning a grant of £1.32 million to develop our Great Place, Greater Tees programme of activity. With TVCA and partner contributions, we have £1.5 million to begin building a strong programme of creative activity across Tees Valley – exploring identity and heritage whilst building capacity and a stronger cultural eco-system. The Great Place Programme work through 10 major projects taking place both in individual boroughs and also in shared activity across our communities, will underpin the consultation and engagement work for our City of Culture bid.
57. Early priorities have been to produce robust project management, payments and monitoring systems and to meet with all project partners, to review planning and activity since the submission of the Heritage Lottery Fund (HLF) bid earlier in 2017.
58. HLF gave written permission to start in January 2018, awarding a grant of **£1,332,500** for the following purposes:
59. Delivery of a programme of community and creative industry activity, inspired by the 19th Century settlement movement, across five sites in the Tees Valley:
- Red Hall Estate, Darlington (to tie into the Stockton Darlington Heritage Action Zone). Delivered by Darlington Borough Council and Groundworks
 - North Ormesby, Redcar. Delivered by Mima
 - Church Street/Church Square in Hartlepool. Delivered by Hartlepool Borough Council and Cleveland College of Arts & Design (CCAD)
 - Albert Road, Middlesbrough. Delivered by Middlesbrough Council and Teesside University
 - Projects to revive the Steel Gala and preservation the Red Barns in Redcar. Led by Redcar & Cleveland Council, Groundwork and other partners
60. Delivery of activity to develop capacity and skills in communities and creative practitioners across the Tees Valley:

- Artists' training programmes in participatory practice. Led by ARC Stockton
- A community carnival programme. Led by Stockton International Riverside Festival/ Stockton Borough Council across several boroughs
- Engagement programmes focused on young people and riverside communities. Led by Tees Valley Arts
- Family, early years and schools drama and storytelling. Led by Theatre Hullabaloo

61. Evaluation of the Greater Tees programme will be led by Teesside University. A steering group drawn from all partners is being established to ensure the programme meets its strategic aims and supports high level culture objectives for the Tees Valley.

City of Culture Preparations

62. Following the Task and Finish Report of 2015, Tees Valley declared its intention to bid to be UK City of Culture in 2025. Ensuring that a City of Culture designation sits within a robust and ongoing commitment to culture as a cornerstone of social and economic development within the Tees Valley will be critical to both a successful bid and a positive, high-impact delivery. With this in mind, our approach to building wider engagement with artists, businesses and communities will be framed in the context of this long-term journey, with City of Culture being a calling point along the way. We will work over the next seven years to build conversations with our communities, establish intriguing content and themes for a powerful bid to be submitted in 2021, and ensure that successful or not, this learning will inform the strategic direction of activity, investment and partnership development which will take us to the submission of the bid, through our incredible term as City of Culture and beyond to a culturally vibrant and prosperous future.

63. Tees Valley has developed and supported some arts and cultural organisations which are now of international renown for their work in arts development and particularly meaningful community engagement. These include Theatre Hullabaloo's work on the impact of early childhood creativity, mima's work on developing a 'useful museum', the artistic excellence of the Stockton International Riverside Festival, and ARC's work to meet audiences on their own terms, broadening participation in cultural activity, changing who makes art, who experiences it and who manages it.

64. However, historically, there has been much less investment in arts and culture in Tees Valley, for example annual investment in culture by the Arts Council on Tyneside in approximately £16 million per annum, whilst the equivalent figure in Tees Valley is £2 million. Adding in the difference in population sizes at 2:1, Tees Valley receives approximately one quarter of the investment per head of population. The result of this is a significantly weaker cultural eco-system with less opportunities for artists to make work and communities to experience and participate in culture. Building cultural capacity in Tees Valley to improve skills, opportunities for artists and creative people to work and build careers in Tees Valley is critical to a more vibrant and confident future for our people and communities.

65. The impacts of becoming City of Culture in Hull are extremely powerful. The opportunity has developed significant private and public sector investment, cultural activity and profile of place are all at unprecedented levels. The

opportunity has brought people, place and politics together. Some key outcomes in Hull are:

- Hull has a 20-25 year strategic plan with culture at its heart.
- Strong leadership and total cross-political party support enabled success. The judges are looking for a joined up approach.
- Had they not been successful, Plan B was to invest and develop a cultural programme anyway. The process of everyone working together has been very motivational.
- Hull has received unprecedented public and private investment – approximately £3.3 billion since they were shortlisted.
- People in the city say it's about the journey they've been on together since 2013, being short-listed was a great motivator.
- They've had great support from Government; the BBC, national media all got behind the bid. The day after the announcement every single national paper had a story about Hull.
- Hull has had £10 million of media coverage to date.
- Everyone was on the same message about the power of what being City of Culture can do for people and the City. Initially 64% of people were against the bid initially, but extensive community consultation resulted in 84% being confident Hull could win the bid.
- Hull Council's initial £4 million commitment has attracted a further £28 million of investment ie. £32 million cultural investment to date.

66. The DCMS consider the idea of Tees Valley with its five constituent authorities coming together to bid to be UK City of Culture in 2025 interesting and feel the ambition is laudable. They will advise Tees Valley on the extremely strong aspects of the Coventry bid and how it was built from the ideas of the people upwards.

67. The process of creating a 'mass movement' to build the City of Culture has already begun. Workshops with the Tees Valley Local Authority Heads of Culture and the Culture Thematic group established a strong commitment to the ambition of the bid and to the fundamental principle that it must be owned by our communities. This pledge was warmly received by leading figures in the cultural sector in a subsequent workshop which further explored the principle of a community-led approach. Initial conversations with Middlesbrough Football Club show they are very supportive of being part of the engagement process within a range of organisation, businesses and community led initiatives. They are also convinced this must be a generative process from the ground up, exploring people's ideas about what kind of Tees Valley they imagine for the future.

68. With our local authorities and culture sector, our shared ambition is to lead a 'big conversation' with our communities and people. To reach our communities through their interests, in their places, through clubs, schools, colleges, societies, associations, football, afternoon teas and supper parties, through their work places. We will map our community engagement and make every effort to reach our traditional communities, our new arrivals and ensure the voices of diverse communities and people are harnessed in our thinking for the bid.

69. The process in itself, whilst being highly organised and strategic in mapping ways of reaching our communities, must be a creative process, finding intriguing,

accessible and welcoming ways of provoking responses to key questions which need to be explored, for example.

70. Initial engagements will seek to identify shared ambitions, strengths, challenges and opportunities. We will learn the nuances and distinctive characteristics of each of the five boroughs whilst identifying the synergies that exist between them all and which form a sense of the collective identity of the Tees Valley.
71. Initial workshops held with our local authority colleagues in November and December 2017 have begun to realise some powerful strands of thinking and amazing ideas around the heritage, energy, power and landscapes of Tees Valley.
72. In the week beginning 5 March we will host the first in a series of workshop sessions, starting with our cultural leaders from across Tees Valley, and followed by place-specific engagements in each of the five boroughs. With our creative sector galvanised, we will broker a dialogue with the wider community: unlocking stories, aspirations, concerns and shared values and developing dynamic, creative responses to these.
73. We will bring a more detailed paper to the May 2018 Cabinet outlining the creative and strategic approach to our City of Culture bid development.

Capacity Development

74. We will look for opportunities to create an innovative and entrepreneurial approach to arts and culture investment whilst building capacity in our people and organisations. We want to develop activity, skills and investment in art forms to grow our capacity to develop ambitious and creative high quality programming for our City of Culture bid.
75. Two major developments in Hartlepool around CCAD and Church Road will improve CCAD's capacity to provide first class tuition in creative arts, whilst the development of the Centre for Excellence in Creative Industries and culture learning offers an opportunity for many Tees Valley cultural organisations to develop additional training and creative skills opportunities – also helping to build capacity in the sector. The developments are covered in more detail under the Education and Skills areas.
76. Work in this capacity building area includes a developing proposal with Northern Film and Media to stimulate and support: film-making/makers across Tees Valley, and create access into the sector as an employment route. This potential programme of work over three years will support training and development and Tees Valley location filming and investment into commissions whilst supporting network development between often isolated creatives and artists.
77. Support has been given to help initiate 'The Two Wolves' new TV series development re filming in Tees Valley to be produced by Trisha Ward. A first 'read through' of the series to be heard by Apple, Netflix and other potential

buyers of the series will take place at the end of March with actors Sir Derek Jacobi, Frances Barber, James Cosmo and others.

78. Through the process of developing and creating our bid, we will integrate the work of our £1.5 million Great Place programme which aims to explore identity, create more cultural capacity, connect people with their heritage and build stronger collaboration between our cultural organisations, ideas and future culture development. Other strategic initiatives such as a new Cultural Commissioning development programme to improve social and health outcomes through cultural engagement will also be integrated into building preparation and exploring people's thoughts and ideas for our City of Culture 2025 bid.
79. Collectively with the City of Culture work, and additional programmes of work including Festivals and Events Development, Heritage Capital Developments, we will build a tapestry of desired outcomes and activities to which each investment in cultural activity, art form development, cultural skills development made by TVCA and our partners will strengthen our capacity, our cultural ecosystem and our understanding of shared values, identity and distinctiveness – building towards a powerful City of Culture bid in 2025

Tourism – Destination Marketing

80. A small team of dedicated people are now engaged in beginning the promotion of Tees Valley as a great place to holiday, live, work, and invest. They will work in partnership with the local authorities communication teams, tourism associated businesses, the media and VisitBritain, and alongside our neighbouring destinations in the NE and Yorkshire, to create a deeper understanding of the strong visitor offer in Tees Valley.

Tees Valley Visitor Survey findings 2017

81. To initiate our destination marketing work, and develop greater understanding of our tourism offer and current markets, during the summer of 2017, 1,540 interviews were undertaken across Tees Valley. The key objectives of the survey were:
 - To inform development decisions for Tees Valley.
 - Understand visitor satisfaction and identify areas for improvement.
 - Understand people's motivation for visiting.
 - Gather visitor profiles such as demographics, booking sources, use of the internet etc.
82. The survey findings are in a summary report covering Tees Valley (available on request).
83. There are key findings about the origins of our visitors, the levels of understanding of the Tees Valley cultural and attractions offer, movement between boroughs, overnight stays and improvement needed in the understanding and business promotion of our leisure offer, which will inform our joint destination marketing and communications activity going forward.
84. In general, the number of visitors to Tees Valley (other than for business travel) is not high, many visitors to our attractions are local people, knowledge of cultural attractions and outdoor adventure opportunities in boroughs other than the one in which people live is low.

Tees Valley visitor economy economic-impact research (STEAM model)

85. The Culture and Tourism team have gathered sufficient inputs to enable the development of STEAM research modelling of the economic-impact of the Tees Valley visitor economy.
86. STEAM is an economic impact model used to measure visitor numbers, expenditure and employment. STEAM is a bottom up model using local data sources where available.

Inputs include:

- Occupancy data
- Attractions footfall
- Event data
- Local bed stock

87. The survey findings are in summary reports covering Tees Valley (available on request). In short, whilst visitor numbers are relatively high at 18 million per annum, visitor spend is low at £680m per annum supporting 11k jobs (compared to Newcastle Gateshead where a similar number of visitors generates £1.4bn and supports 21k jobs. This points to a lack of overnight stays in Tees Valley (these generate more in terms of the visitor economy). It is important that we invest in more high quality accommodation and communicate strongly about the good quality and value accommodation we have in Tees Valley associated with our strongest destination products in terms of heritage and culture, landscape, nature, outdoor adventure, shopping. The investment in our heritage and cultural attractions of greatest potential is well underway; the realisation of these attractions and the stronger telling of the stories of Tees Valley will attract more people who return more often to the destination.

Development of the Tees Valley visitor website www.enjoyteesvalley.com

88. The development of a new destination website for Tees Valley is critical to communicating worldwide on the strength of our many cultural, landscape and outdoor activities. This website is now complete.
89. www.enjoyteesvalley.com will bring together all attractions, accommodation, cultural venues, exhibitions and events from across the Tees Valley. Local areas, business owners and event managers will have the opportunity to maintain their own product-records and to add relevant events into the platform. This new destination website will be launched on Saturday 17th March – the start of English Tourism Week. A region wide campaign to launch the site is being developed.

Initial Marketing Campaign activity

Discover England Fund bid - East of England Touring Route

90. We are working in partnership with NewcastleGateshead and 13 other destination organisations on a bid to the Visit Britain Discover England Fund to create an East of England Touring Route. The project will bring together a broad range of product and destinations, marrying the unfamiliar and undiscovered market town product with some of Eastern England's better-known locations including York, Lincoln, Leeds and Newcastle.

91. The criteria for the product submitted is the accessibility from the A1(M) motorway combined with the offer of quintessentially English attractions that appeal widely to international visitors. This could include gardens, historic houses, castles, cathedrals, shopping and sport. We have so far submitted product from Darlington, Stockton, Middlesbrough and Redcar alongside walking routes and tours such as Captain Cook that also take in Hartlepool.
92. The project will focus on the German market. This target market has been chosen because according to research Germans are more likely to stay outside of London than any other market and are most likely to take the longest trips (8+ nights) ideal for a 300-mile touring route.
93. The project's main objectives include increasing the awareness and knowledge of Eastern England among travel trade whilst also supporting a minimum of 40 tourism business in Eastern England, particularly small businesses, to operate in the international market for the first time.
94. We are currently awaiting the official announcement of whether the bid has been successful. We do however believe that it is highly likely to be accepted and look forward to sharing more details soon.

Captain Cook – 250th anniversary

95. In summer 2018 it will be the 250th anniversary of Captain Cook setting sail, eventually discovering Australia. We are working with our partners in Whitby and Plymouth on compiling a comprehensive calendar of events and activities to mark the 250th anniversary of explorer Captain James Cook's first voyage.
96. Tees Valley partners include Middlesbrough, Stockton, Hartlepool and Redcar and we have also approached Welcome to Yorkshire, Plymouth City Council and the International Communications team at Visit Britain to coordinate a UK wide programme.
97. The details will be displayed on a dedicated page on the new Enjoy Tees Valley website and marketed by the Tees Valley Culture & Tourism team.
98. We will make an application to VisitBritain in 2018 to secure funding of up to £250k to develop bookable product and a Captain Cook tour which could be sold by Australian and New Zealand tour operators. This would provide strong profile for Tees Valley in both countries and VisitBritain will support our media activity this year to provide information to the Australian media on visiting Tees Valley and the North Yorkshire coast.

Visitor Economy – The Potential

99. Investing in and developing our destination marketing work for Tees Valley, in partnership with our local authority partners and tourism business offers the potential for Tees Valley to grow the visitor economy substantially. We particularly want to focus on activity which promotes overnight stays and increases length of stay in Tees Valley, as we believe this will develop our visitor economy faster, increase the resilience and sustainability of our tourism businesses, allow these businesses to create more investment in quality products, and create more associated jobs.

100. Headline Tees Valley economic impact figures and projections based on anticipated growth of 3% and 5% per annum in the visitor economy.

2016 (actual)	2017 (projection)	2018 (projection)	2019 (projection)	2020 (projection)
Total Visitors 18.67 million	Total Visitors + 5% 19.60 million	Total Visitors + 5% 20.58 million	Total Visitors + 5% 21.61 million	Total Visitors + 5% 22.69 million
Total Spend £864 million	Total Spend + 5% £907 million	Total Spend + 5% £952 million	Total Spend + 5% £1 billion	Total Spend + 5% £1.05 billion
Total Visitors 18.67 million	Total Visitors + 3% 19.23 million	Total Visitors + 3% 19.80 million	Total Visitors + 3% 20.40 million	Total Visitors + 3% 21.01 million
Total Spend £864 million	Total Spend + 3% £890 million	Total Spend + 3% £917 million	Total Spend + 3% £944 million	Total Spend + 3% £972 million

101. Taking the possible 5% growth per annum figures to 2019, by which the visitor economy could grow by £136 million per annum to £ 1 billion, a further 2,913 jobs could be created.

FINANCIAL IMPLICATIONS

£1.7 million is requested to match fund the potential £4 million application to the DCMS NCRF for the Railway Heritage Project. An initial £340k is required to secure the development of the City Games and Cross Country activity by Nova with local authority partners. 'In principle' support of a further £1745k support is requested to secure the longer programme of games from 2020 to 2025. Further Cabinet approval will be sought for the funding for beyond 2019 subject to appraisal of the success of the Games in 2019. Funding of up to £250k (dependent on partnership contributions) is requested to help secure the RLWC2021 event for Tees Valley.

LEGAL IMPLICATIONS

No legal issues are raised in this report.

RISK ASSESSMENT

This sporting and event funding activity bids are categorised as low to medium risk. Experienced event operators and existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

Wide consultation with relevant partners, stakeholders and local authorities has been undertaken on events and projects.

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AGENDA ITEM 10

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

28 MARCH 2018

REPORT OF THE STRATEGY DIRECTOR

ADVANCED MANUFACTURING SECTOR ACTION PLAN

SUMMARY

At the December 2017 Cabinet Meeting it was agreed that Cabinet would be provided with each of the Sector Action Plans. The attached document contains the first completed Action Plan, which is for the Advanced Manufacturing Sector and also contains a foreword by the Sector Champion.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approve the findings of the Advanced Manufacturing Sector Action Plan.

DETAIL

1. At the December 2017 Cabinet Meeting, the overview document for the 7 Sector Action Plans¹ was discussed. Although this document provided clear strategic direction across the 7 priority sectors and 1 cross cutting sector, it was agreed that Cabinet would be provided with each of the Sector Action Plans.
2. The attached document (Appendix A) contains the first completed Sector Action Plan, which is for the Advanced Manufacturing Sector and also contains a foreword by the Sector Champion, Mike Matthews, Chief Executive of NIFCO in Stockton-on-Tees as well as a list of indicative activities.
3. All existing indicative activities, across each of the 7 Sector Action Plans have already been collated and presented to Cabinet in the Sector Action Plan Overview Document in December 2017. Of these, 7 interventions were shortlisted for immediate action and are currently subject to due diligence in line with the Assurance Framework. Going forward, it is anticipated that the

¹ Advanced Manufacturing, Process, chemicals and energy, Logistics, Health and Biologics, Digital and Creative, Culture and Leisure and Business and Professional Services. and cross cutting plan for the circular economy.

subsequent roll out of the remaining 6 Sector Action Plans and Circular Economy Cross Cutting Theme Plan will augment the existing project pipeline.

4. The remaining Sector Action Plans will be submitted on a rolling basis across the scheduled Cabinet Meetings in 2018.

FINANCIAL IMPLICATIONS

5. This is a research report and consequently there are no direct financial implications.

LEGAL IMPLICATIONS

6. This is a research report and consequently there are no direct legal or procurement implications.

RISK ASSESSMENT

7. This is a research report with no direct operational risks attached.
8. This research report is categorised as low risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

9. This report has been subject to an extensive consultation exercise with both the public and private sectors.

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ADVANCED MANUFACTURING

March 2018



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1. Foreword

Introduction from Mike Matthews, Tees Valley Sector Champion



- 1.1 Our advanced manufacturing sector is a continuing source of pride and tradition to Tees Valley people. We are globally competitive, and have well established regional, national and international supply chains. However, my experience of the sector has taught me that we can't just rely on continuing to supply our existing customers. We need to diversify our customer base, by trading with a more and varied range of countries. Not only does this keep our order books full, but fresh competition motivates investment in innovation and also teaches us new skills and techniques to meet customer requirements.
- 1.2 Growing a business isn't easy, and needs to focus on the bottom line. This doesn't mean skimping on investment, but getting to grips with all aspects of the productivity challenge, whether it be people, plant or process. Getting these things right for all sizes of company will help us to be ambitious in entering new supply chains and markets.
- 1.3 This report identifies a wider number of actions, but my immediate priorities to help move the sector forward include:
 - **Enhancing productivity:**
 - By addressing emerging skills constraints such as provision of technical apprenticeships, enhanced business training for leadership and addressing specific skills gaps related to BREXIT (for example a need for more international marketeers and capacity in customs clearance);
 - Ensuring better use of resources, through tightening supply chains, enhanced local sourcing and more investment in product and process innovation (circular economy opportunities); and
 - Provision of 'fit for purpose accommodation', that is easily accessible to main transport routes and international gateways, with affordable and reliable utilities and broadband.
 - **Growing the sector:**
 - By encouraging greater collaboration between companies, so they can invest in innovation and gain access to more sophisticated supply chains;
 - A focus on attracting Tier 1 inward investment; and
 - Returning to productivity, the creation of a productivity measure for the sector and the region, which clearly demonstrates our international competitiveness.

*'Tees Valley productivity rates should be our major selling point
to inward investors and potential customers.'*

2. Introduction

- 2.1 The following report provides a high level summary of the scope and scale of opportunity for the advanced manufacturing sector in Tees Valley, as well as a preliminary list of indicative activities.
- 2.2 The report is based on the following consultation exercise:
- Survey: December 2016: 550 businesses (across all sectors engaged);
 - Consultative interviews with sector champions and businesses; and
 - 2 Focus Group sessions with businesses and stakeholders.
- 2.3 The choice and definition of sector for this report emerges from the findings of the Refreshed Tees Valley Strategic Economic Plan (SEP): The Industrial Strategy for Tees Valley 2016-2026, which identified the advanced manufacturing sector as a key priority.
- 2.4 The Advanced Manufacturing Sector Action in common with the other six priority sector action plans¹ will be updated annually through consultation with our key local partners.

Sector definition

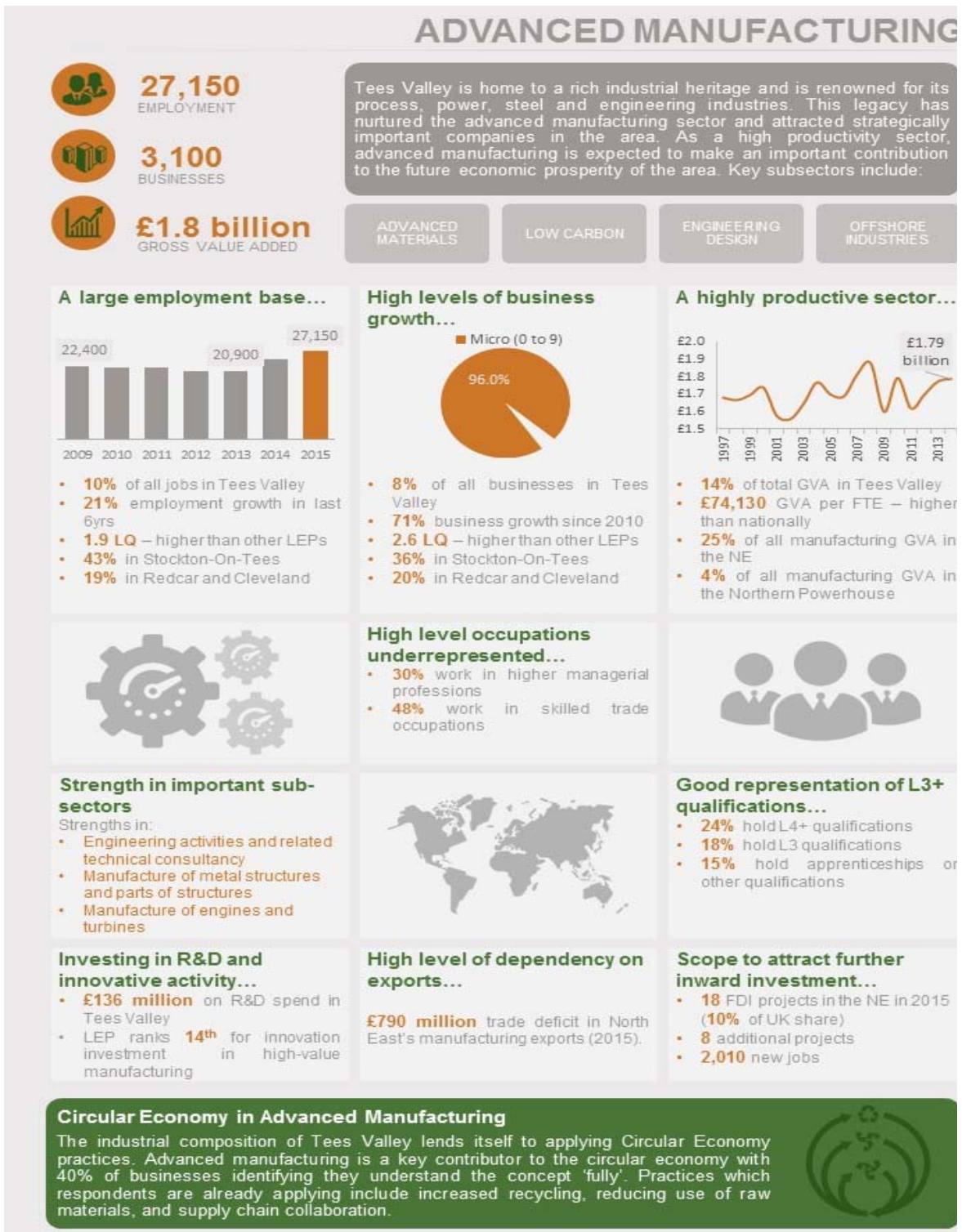
- 2.5 Advanced manufacturing is broadly described as manufacturing that is intensive in terms of its use of capital and knowledge and utilises a high level of technology and research and development. It can apply to all manufacturing industries but tends to be associated with medium and high tech firms. Advanced manufacturing is more of a concept than a precisely defined sector and it is useful to maintain a broad definition to ensure that the Action Plan is sufficiently flexible to respond to future changes. Key areas include:
- Advanced materials;
 - Low Carbon;
 - Engineering Design; and
 - Offshore Industries.
- 2.6 As a high productivity sector and one of four Northern Powerhouse prime strengths, Tees Valley's Advanced Manufacturing sector is expected to make an important contribution to the future economic prosperity of the area and the wider North, building on close links with the North East manufacturing base in key subsectors including: engineering design and subsea technologies. There are additional strengths in advanced materials, including composites, coating and polymers. These could provide important links to larger consumer based markets in Europe and elsewhere. Detailed sectoral definition contained in Appendix A.

Strategic Economic Plan (SEP) Target

- 2.7 The sector currently employs 27,150 FTEs in the Tees Valley with a GVA per head of £74,150, equating to £1.8 billion of output (14% of the Tees Valley economy). The SEP has a target of creating an additional 1,500 advanced manufacturing jobs and increasing GVA per hour by 30%.

¹ Process, chemicals and energy, logistics, health and biologics, digital and creative, culture and leisure and business and professional services.

Figure 2.1 Advanced Manufacturing in Tees Valley

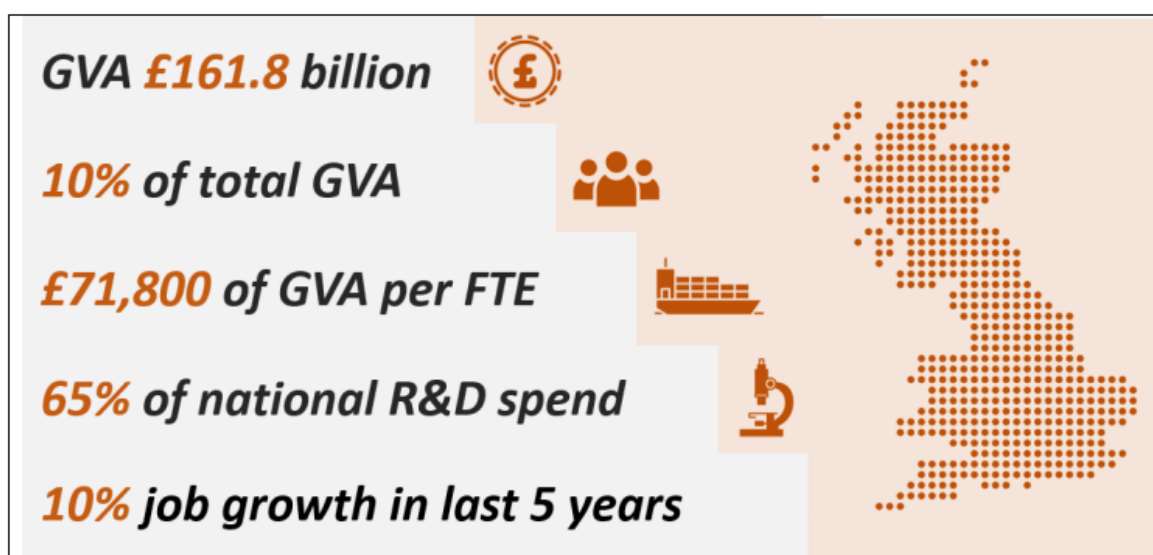


Source: Regeneris Consulting

3. How the sector compares

3.1 Nationally, the broad manufacturing sector in the UK is still highly productive and has been a net contributor to jobs growth and a focus for research and development:

Figure 3.1 Sector national positioning



Source: Regeneris

The sector makes a sizeable contribution to Tees Valley’s economy but productivity improvements could be made...

3.2 The advanced manufacturing sector contributed £1.71 billion to the Tees Valley economy in 2015 accounting for 13% of total GVA. The sector makes a sizeable contribution to advanced manufacturing GVA in the North East region (32%) and to the Northern Powerhouse (7%). Relative to the national average the Tees Valley advanced manufacturing sector is on par with a GVA per FTE of £71,400 which is above the North East and Northern Powerhouse figure.

Table 3.1 Manufacturing economic contribution and productivity, 2015

	Tees Valley Combined Authority	North East	Northern Powerhouse	England
Manufacturing GVA	£1.71 billion	£6.93 billion	£46.28 billion	£138.65 billion
Manufacturing GVA (% of total GVA)	13.5%	14.0%	14.6%	9.7%
Manufacturing GVA per FTE	£71,400	£61,200	£69,900	£71,300
All sector (average) GVA per FTE	£56,100	£55,300	£57,600	£68,000

Source: ONS, Regional Accounts, 2015

Note: GVA data corresponds to the SIC (standard industrial classification) broad sector definition of manufacturing (C)

- 3.3 The latest data shows that as of 2014, output was still below the pre-recession peak, although the sector has been on a growth trajectory since 2011, expanding by 12% since 2008.

The Tees Valley Business Survey found that advanced manufacturing businesses have experienced average business performance in the last 12 months, with 37% of businesses reporting improved performance, 29% reporting stable performance and 29% reporting deterioration in performance. Key reasons for improved performance include **expansion into new markets, having a formal plan or growth strategy**, and an improvement in demand for advanced manufacturing outputs. Of those experiencing deterioration, the most commonly cited reason was the **decline in key supply chains**.

Improvements to productivity could be made through new product and process innovation, specifically in relation to the use of materials and greater supply chain diversification.

The advanced manufacturing sector employs 10% of the Tees Valley workforce, with approximately 17% of the business base:



- 3.4 Although the number of employees declined between 2009 and 2013, there was a net increase of 21% or around 4,750 employees between 2009 and 2015, with a total for the sector of 21,900 employees. This is due to significant increases in employment in 2014 and 2015 of around 3,700 and 2,550 employees respectively, corresponding with the general growth in economic output over the period. In comparison, the number of employees in the sector grew by 5% in the NPH and 6% in England, over the same period. Overall, the sector has grown relatively well since 2009 with a compound annual growth rate in employees of 2.8%. This compares to a 0.7% growth rate in the Northern Powerhouse and 0.9% in England.

Just over half of advanced manufacturing businesses (51%) reported recruiting new staff within the last 12 months in the Tees Valley Business Survey. This is slightly lower than the sector-wide level (56%). Principal workforce concerns relate to recruitment and retention of staff, particularly related to technical or practical skills (65%) and planning and organisational skills (35%). Sector feedback has identified that post BREXIT an enhanced need for international marketing skills and customs clearance experience.

- 3.5 According to the ONS, there are currently 3,105 advanced manufacturing enterprises in the Tees Valley area, representing 8% and 2% of

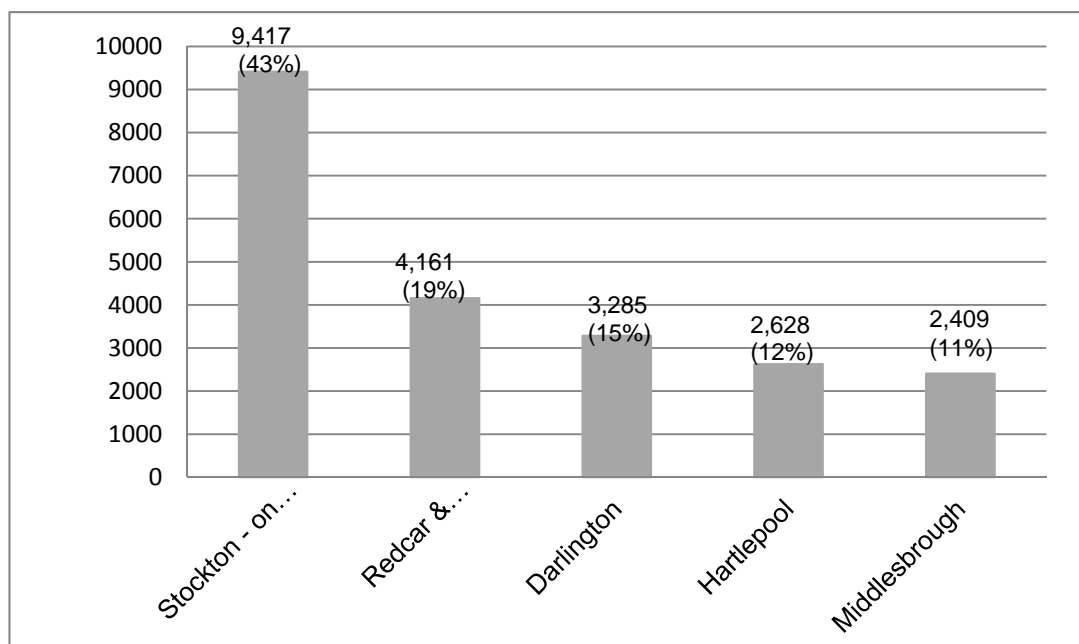
the advanced manufacturing business base in the Northern Powerhouse and England respectively. The number of businesses has steadily expanded over the years. The business base has grown by 71% since 2010 with most of this growth, just over 70%, achieved in 2014 and 2015.

- 3.6 Advanced manufacturing businesses in the Tees Valley area have an average of 9 employees per business. A large proportion of advanced manufacturing businesses in Tees Valley have fewer than 10 employees (96%). This is a much higher proportion than nationally (88%). By comparison, only 4% of advanced manufacturing businesses have over ten employees, compared to 12% nationally.

Although the business base is expanding, the overall proportion of jobs is not being maintained, with more local companies chasing fewer business opportunities. Although average business size is still higher than the national average, there is a need to **focus on those companies which have the greatest potential for growth**, as these tend to be both “**jobs rich and more productive**”.

- 3.7 At a local level, all local authorities, except Middlesbrough, have a greater concentration of employment in advanced manufacturing compared to nationally. The highest concentrations are in Redcar & Cleveland and Stockton-on-Tees, where advanced manufacturing accounts for 11% and 10% of all employment respectively (compared to 5% nationally).

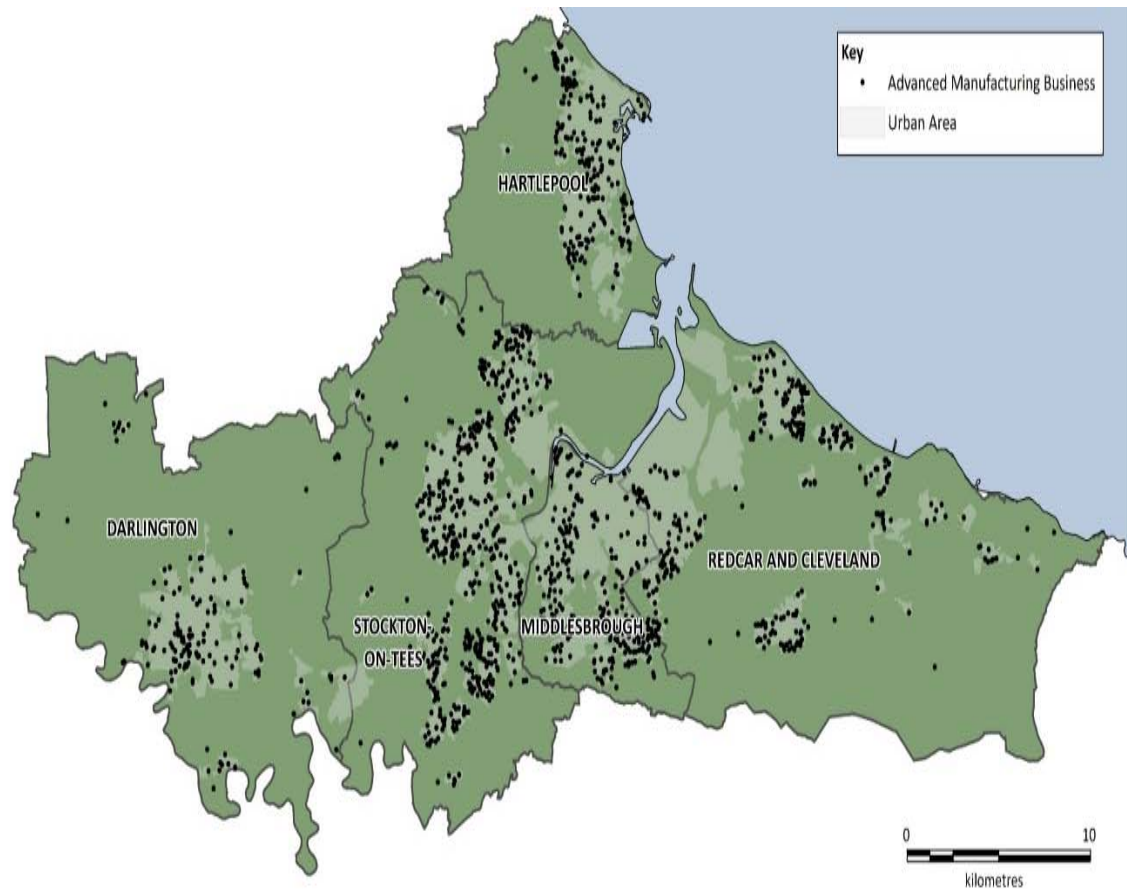
Figure 3.2 Number of advanced manufacturing employees by Tees Valley district, 2015



Source: ONS, 2016

3.8 The table below illustrates the location of all companies across the Tees Valley:

Figure 3.3 Location of Advanced Manufacturing Businesses



Source: FAME Database

3.9 Examples of larger advanced manufacturing businesses with HQ functions located in Tees Valley² include:

- Con Mech Group Ltd (300 employees, registered in Darlington);
- Elring Klinger Ltd (240 employees, registered in Redcar);
- Mech-Tool Engineering Ltd (190 employees, registered in Darlington); and
- Wilton Engineering Services Ltd (190 employees, registered in Middlesbrough).

3.10 Examples of large advanced manufacturing businesses (<250 employees) with HQ functions located outside Tees Valley include:

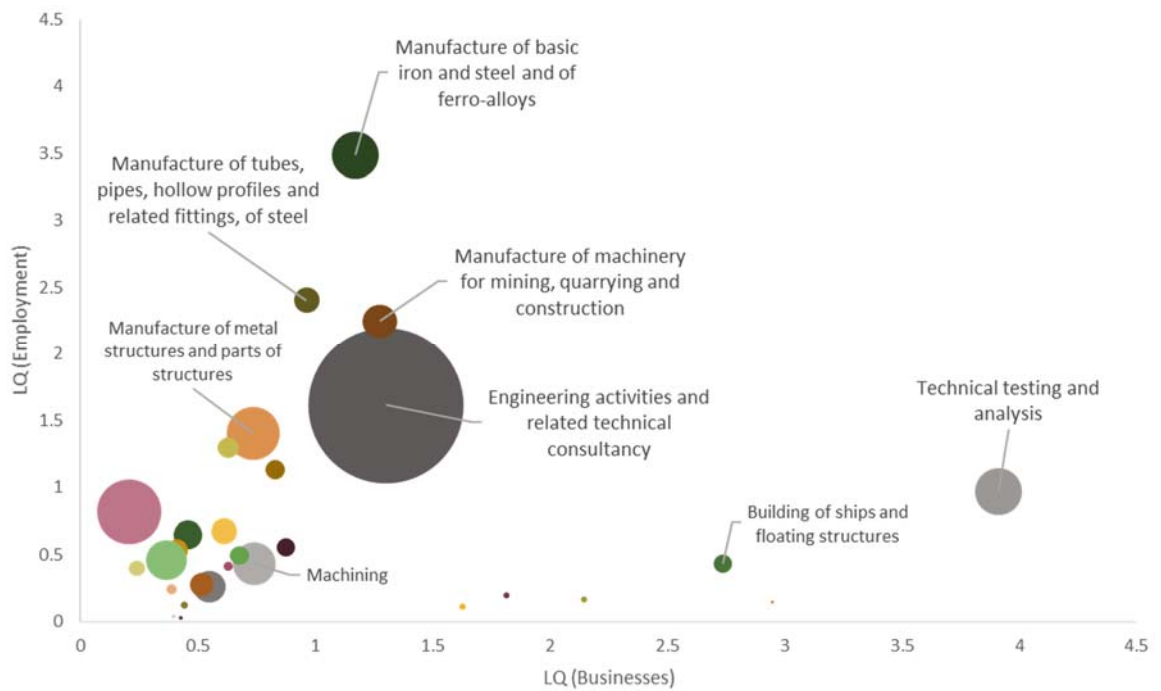
- British Steel – based in Redcar and Cleveland and HQ in Scunthorpe; and
- Nifco – based in Stockton on Tees and HQ in Tokyo.

² Source: FAME Database, 2016

Tees Valley has a number of sub-sector strengths...

- 3.11 The proportion of jobs relative to England as a whole reveals that the Tees Valley has employment and business concentrations in a number of advanced manufacturing sub-sectors including the manufacture of basic iron and steel and of ferro-alloys, technical testing and analysis, and engineering activities and related consultancy.

Figure 3.4 Proportion of Jobs by TVCA's advanced manufacturing sub-sectors



Source: ONS, 2016

Note: The size of the bubble is proportional to the amount of employment in the sub-sector. The location quotient compares the concentration of businesses and employment in the sub-sector in the TVCA area, relative to the concentration of businesses and employment in the sub-sector in England.

International Benchmarks

- 3.12 The UK has fallen down the world rank of manufacturing nations in the last decade, from the 5th biggest manufacturer in terms of total output between 1970 and 2004, the UK is now 9th.³

Country	Manufacturing output:		% of total output	% of world manufacturing
	\$ billions	Per head, \$		
China	1,882	1,400	28%	19%
United States	1,843	5,700	12%	19%
Japan	1,001	7,900	19%	10%
Germany	680	8,400	23%	7%
South Korea	369	7,400	30%	4%
India	290	200	17%	3%
France	267	4,000	11%	3%
Italy	257	4,300	15%	3%
UK	247	3,800	11%	3%
Taiwan	190	8,100	30%	2%
Mexico	170	1,400	18%	2%
Canada	150	4,200	11%	2%
Brazil	145	700	11%	1%
Russia	140	1,000	15%	1%
Spain	134	2,900	13%	1%
Turkey	120	1,600	18%	1%
Indonesia	110	400	22%	1%
Switzerland	95	11,600	19%	1%
Poland	94	2,400	19%	1%
Netherlands	87	5,200	12%	1%

Source: UN Conference on Trade and Development (UNCTAD)

There is potential for the sector to attract further inward investment, particularly through re-shoring of investments...

- 3.13 Recent national analysis of manufacturing have given careful attention to identifying those elements of advanced manufacturing systems with the most potential to capture significant value for the Tees Valley economy. This section reflects on these discussions, and distinguishes four advanced manufacturing perspectives that can be useful to characterise the investment need. We then go on to examine policy responses in competing investment hotspots.

³ Source: House of Commons Briefing Paper, August 2016, Manufacturing – International Comparisons

Figure 2.5: Areas for New Investment

Manufacturing perspective	How do firms capture value in modern manufacturing?	Advanced manufacturing challenges (and opportunities)
Product innovation	Competing on speed of new technology development	Development of products with improved functionalities, performance and reliability through the application of advances in, for example, physical and biological sciences (e.g. nanotechnology, chemistry, and biology)
Process innovation	Competing on product mix flexibility and factory productivity	Process optimisation (speed, cost, resources) and change; production technologies capable of achieving more complex shapes and ever tighter process tolerances; hybrid production technologies and systems able to deliver individualised products at mass production prices
Supply chain	Competing on reconfigurable supply chain capabilities	Supplying materials and components faster/more efficiently; establishing adaptable and agile (global) supply chains in emerging and established industries (to deliver current and next-generation products)
Customer demand	Competing on superior knowledge of customer demand and higher levels of customer satisfaction	Getting products and services to customers faster/more demand-led; creating stronger (digital) links between design, production and delivery ; foreseeing changing patterns of demand and customer wants and needs integration

Source: Emerging trends in global advanced manufacturing: Challenges, Opportunities and Policy Responses, University of Cambridge, (2016)

- 3.14 Focusing on these four areas, we can summarise some of the flagship policies used in competing Advanced Manufacturing Hotspots, including USA, Germany and China.

Table 2.3: – Advanced Manufacturing Programmes in Competitor Economies

Initiatives	Description	Product Innovation	Process Innovation	Supply Chain	Customer Demand
Manufacturing USA Institutes (USA)	Network of linked advanced manufacturing institutes aimed at addressing the investment gap in pre-competitive applied R&D, and de-risking new technology and material scale-up	XX	XXX	X	
National Manufacturing Innovation Centres (China)	Innovation centres focused on boosting technology and innovation in key areas such as next-generation ICT, smart manufacturing, new materials, additives and pharmaceuticals	XX	XXX	XX	
Cluster of Excellence in Integrative Production Technology for high-Wage Countries (Germany)	Manufacturing research cluster focused on new technologies required to address the future individualisation, hybridisation and self-optimisation of production.	XX	XXX	X	
Intelligent Technical Systems OstWestfalenLippe alliance (Germany)	Consortium of private and public technological innovation organisations that focus on key manufacturing digitalisation topics at the heart of Industry 4.0.	X	XXX	X	XX
Notes: xxx - primary emphasis xx - secondary emphasis x - minor emphasis	Product innovation – competing on speed of new technology development Process innovation – competing on product mix flexibility and factory productivity Supply Chain – competing on reconfigurable supply chain capabilities Customer demand – competing on superior knowledge of demand and higher levels of satisfaction				

Source: Emerging trends in global advanced manufacturing: Challenges, Opportunities and Policy Responses, University of Cambridge (2016)

3.15 For Tees Valley to compete with these established hubs, there is a need to focus on the following indicative activities:

- Manufacturing Institutes (potentially Institutes of Technology);
- Enhanced collaboration (collaborative networks) leading to clustering of activities and addressing the lack of critical mass; and
- Active promotion of new materials, digitisation and servitisation.

4. Key Assets & Innovation Ecosystem

4.1 The table below identifies the major innovation, learning and other assets within Tees Valley which could have a significant influence on the sector's development in the area.

Table 4.1 Summary of Key Advanced Manufacturing Assets	
Asset	Sector-Specific Offer
Education and Skills	
Teesside University	School of Science and Engineering offers various courses in manufacturing and engineering across undergraduate and postgraduate levels and opportunities for PhD research. The University also offers a degree level apprenticeship in electronic systems design engineering.
Apprenticeship Hub	A one stop shop advertising apprenticeship opportunities in the area
Careers Hub	Offers resources and guidance to show the wide range of progression routes and career opportunities available within Tees Valley.
Tees Valley Skills Event	An annual event targeted at 13 to 18 year olds, exhibiting Tees Valley employers, universities, and learning and training providers. The event aims to highlight routes to employment, education, apprenticeships and training and to showcase the advanced manufacturing as well as other target industries
Centres of Excellence	
Technology Futures Institute (Teesside University)	An international leader in key areas of research and innovation related to sustainable engineering, advanced manufacturing and process engineering, and measurement and control systems.
Digital Futures Institute (Teesside University)	Host to a range of research activities in computing including machine intelligence.
Materials Processing Institute	MPI provides research, development and technical services to a wide range of industrial clients. The traditional steel focus of the Institute has been expanded to include non-ferrous metals, ceramics, wood, polymers and composites. MPI includes a Small to Medium-sized Enterprise Technology Centre (SMETC) to initiate, support and grow small innovative companies. The SMETC presents a route for SMEs to access to the Institute's knowledge, skills and extensive scientific network, thus accelerating innovation and providing further assistance through the identification and support of public funding proposals
The Welding Institute (TWI)	A leading independent materials research and technology support organisation, with strengths in relation to fabrication, welding, and coating technologies. Based at Teesside Advanced Manufacturing Park (TAMP), TWI offers state-of-the-art training in welding, inspection, non-destructive testing and underwater techniques alongside full research and consultancy services. TWI also has a Low Carbon Energy Manufacturing Technology Centre, which houses the latest technologies for reduced pressure electron beam welding, tandem twin wire submerged arc welding, Surfisculpt, electron beam texturing, composites and microwave drying.
Centre for Subsea Technology Awareness (C-STATE)	Provides specialist training and education in the subsea engineering and service sectors. Offers a range of apprenticeships, further and higher education qualifications, being developed by Darlington College and Teesside University.
The Wilton Research and Technology Centre	Provides office, laboratory and pilot plant accommodation facilities to encourage innovation, research and product development in the process industries. Through its Innovation Accelerator, it provides incubation support for innovative businesses within the science, technology, engineering and life sciences sectors.

The Centre for Process Technology (CPI)	Designated as the process element of the government supported Catapult centres. CPI provides open access to research and development and process proving facilities relating to Industrial Biotechnology, Printable Electronics, Chemistry, Anaerobic Digestion and Thermal Technologies.
Large Employers with R&D Activity	
Wilton Engineering Services	A multi-discipline Engineering Services provider based on a 50-acre site by the River Tees in Middlesbrough. Specialises in Engineering Design, Fabrication and Construction, Analysis, and Coatings and Services for the onshore and offshore energy industry.
Mech-Tool Engineering (MTE)	Global supplier of solutions protecting people and equipment from fire, blast and radiant heat hazards for the offshore and onshore oil and gas, nuclear, renewable energy, chemical and petrochemical industries.
Elring Klinger	Design and manufacture of speciality gaskets and sealing solutions for engine, transmission and exhaust applications. The only European production location manufacturing gaskets and shields in one facility.
Sites and Facilities	
Teesside Advanced Manufacturing Park (TAMP), Middlesbrough	Located next to Riverside Park Industrial Estate, the site will host an Offshore Wind Validation Centre which will provide research into fabrication methods for offshore wind turbine towers and foundations, plus validation services aimed at helping manufacturers prove their validity to prospective financiers and insurers.
Support and Business Networks	
Teesside Engineering Network	The network champions engineering companies in the area, provides a forum for engineering and manufacturing companies to learn about local projects, meet with other businesses in the supply chain as well as face to face networking.
Tees Valley Business Compass	Provide relocation grants, support and advise on financing.
Tees Valley Enterprise Zone	There are 12 enterprise zones in Tees Valley, split into two types: Enhanced Capital Allowance Enterprise Zones, and Business Rate Relief Enterprise Zones. A number of these have facilities and incentives targeting advanced manufacturing businesses.
Tees Valley Apprenticeship Grant for Employers	Available to all SMEs employing apprentices between 16 and 24. Provides a grant of £1,500 to encourage firms to take on apprentices.
Tees Valley Catalyst Fund	Businesses can apply for short-term finance to fund performance investments from £100,000 to £2million. Finance is available for anything up to 24 months.
SSI Taskforce Funding	Secured £80 million of government funding in response to the closure of the steelworks in Redcar. A number of new funds have been designed to support companies and individuals affected by the closure, plus a grant scheme available for other Tees Valley companies who can demonstrate local growth and expansion opportunities.
Other Enabling Infrastructure	
Durham Tees Valley Airport	Currently has passenger routes to Amsterdam Schiphol (KLM) and Aberdeen (Eastern).
Tees and Hartlepool ports (Teesport)	UK's third busiest and largest exporting port accommodating over 5,000 ships a year. The port services the petrochemical, manufacturing and engineering sectors. The port is connected to the rail network and links to the A66 and A19.
Other Ports	There are a number of other port-related facilities in Teesside, including AV Dawson near Middlesbrough.
Rail	Passenger and freight connections going South to London and North to Glasgow and Edinburgh. Key rail freight facilities include Teesport cargo handling and warehouse facilities and AV Dawson.

Roads	A1(M) and A19 provide a link to the North and South while the A66 provides a link to the West.
Planned Projects	
The National Horizons Centre (NHC)	Aims to address the growth needs of some of the most rapidly expanding UK technology sectors. It will specialise in providing the full range of skills for the bio industries and in applying digital technologies to improve performance and productivity in advanced manufacturing. The Centre will provide specialist laboratory, pilot plant facilities alongside teaching and conferencing space.
Graphene Application Centre	Based alongside the CPI, the centre will enable companies to take graphene enabled products from dispersion, to application, and onto commercialisation, with testing and characterisation at every step. Graphene has the potential to transform many products, and could be used in sensors, flexible screens, high-capacity batteries and ultra-fast transistors.

Source: Regeneris Consulting, Desk based analysis, 2016



5. Trends and Policy Context

Table 5.1 Summary Pestle Analysis: Advanced Manufacturing Sector	
Issue	Impact on Sector
Political:	
<ul style="list-style-type: none"> • Impact of BREXIT • Devolution and recent mayoral election • Relationship with Northern Powerhouse and opportunity to access Northern Powerhouse Investment Fund • Industrial Strategy and focus on cultivating world leading sectors • Post-16 education reforms including introduction of the Apprenticeship Levy 	<ul style="list-style-type: none"> • Ambiguity regarding emerging trade relationships, research development and innovation knowledge exchange and regulatory environment. • Ability to draw on a Tees Valley Investment Fund and a tailored business support scheme. Also, potential for Mayoral Development Corporations (MDC's). • Possibility of accessing equity and loan funding to support local businesses and projects • Consideration of a possible Sector Deal • Shift to demand-led training and private sector contributions. Devolved control of Adult Education Budget will align training to need.
Economic	
<ul style="list-style-type: none"> • Availability of skilled labour • Labour costs • Re-shoring of production 	<ul style="list-style-type: none"> • Skills shortages and gaps impacting on growth and competitiveness • Driver of investment interest • Sector specific and location attributes to attract investment
Social/Cultural	
<ul style="list-style-type: none"> • Consumer attitudes towards price, quality, brand, ethical standards etc 	<ul style="list-style-type: none"> • Drivers of product demand and willingness to pay
Technological	
<ul style="list-style-type: none"> • New Material Usage • Transformative enabling technologies including Industrial Digitalisation (Industry 4.0) changing the shape of the sector • Servitisation 	<ul style="list-style-type: none"> • Potential use of new materials such as graphene, which will augment potential product use. Need for enhanced innovation to embed new materials into existing production processes. • Taking advantage of transformational enabling technologies such as 3D printing, composites and robotics and leveraging support from locally based institutions could enhance sector competitiveness • Potential to expand the sector and realise supply chain integration and efficiencies
Legislative	
<ul style="list-style-type: none"> • European regulation versus UK regulation • Meeting low carbon policies and legislation 	<ul style="list-style-type: none"> • Uncertainty over future environmental, safety and labour market regulations affecting investment decisions and competitiveness

Environmental

- | | |
|---|--|
| <ul style="list-style-type: none">• Favourable planning and regulation environment• Availability of investment sites | <ul style="list-style-type: none">• Provision of Enterprise Zones incentivises advanced manufacturing occupiers• Highly accessible sites to supply chain and markets; availability of location incentives |
|---|--|
-

Source: Regeneris Consulting

6. Summary SWOT Analysis



Strengths

Confidence – Globally competitive sector with strong local supply chains and tie into a few but large scale exporters across all sectors. Need to further develop critical mass within the sector.

People & Ed – an adaptable and technically adept workforce

Innovation – strong innovation infrastructure, in particular the TAMP site and testing facilities at CPI and MPI.

Property – good availability of sites and flexible local planning

Connectivity – excellent port access, openness to Europe

Growth – sector uniquely susceptible to £ and feedstock prices.

Growth – Few business start-ups/ scalable companies.

Growth – Need to diversify supply chains and enter new export markets.

People and Education – Ongoing skills mismatch: ageing worker & strong technical needs

Innovation – branch plant makes it hard to secure investment

Property – access of sites to broadband

Transport – weaknesses in road, air and rail reported and impact on disrupting supply chains



Weakness



Opportunities

Growth - Potential related to Circular Economy

People & Ed. – opportunities related to Apprenticeship levy

Innovation – use of new materials, automation, servitisation and digitisation and also untapped potential of local institutions within innovation ecosystem

Property – possibility to explore potential of Freeport operation

Transport – consideration of improving air links and also benefits of gigabit region

Growth – international competition displaces Tees Valley companies

People and Ed – unable to attract new and qualified talent

People and Ed - loss of major employers impacts on regional training capacity

Innovation – failure to embed national catapults as drivers of change

Property – viability gaps prevent future developments

Transport – access to European port restricted post BREXIT.



Threats

7. Indicative Actions

Emerging Proposition

7.1 The Tees Valley Advanced Manufacturing sector has specific strengths and specialisms which include the manufacture **of basic iron and steel and of ferro-alloys, technical testing and analysis and engineering activities and related consultancy**. In addition, **the area has a developing expertise in advanced materials, including thermal technologies and photonics**.

7.2 The concept of the 4th Industrial Revolution ('Industry 4.0' or '4IR') is gathering pace as a driver of change, introducing new technologies and techniques that will change products, processes and supply chains in the manufacturing sector. These changes can create value across the local manufacturing ecosystem (digitisation and servitisation), resulting in increased sales and growth in market share. New technologies will support:

- Smarter supply chains (greater coordination, real time information sharing, better tracking of assets and inventory and integrated planning and production)
- Smarter production (use of data analytics, new production techniques and technologies such as autonomous robots, multi-purpose production lines and augmented reality) to improve yield and speed up production and allow business models such as mass customisation to be pursued
- Smarter products (rapid innovation and a faster time to market is enabled by data collected from products, remote diagnostics and remote/predictive maintenance)

Source: EEF, 2016, The 4th Industrial Revolution – A Primer for Manufacturers

7.3 The other Tees Valley opportunity that is part of the Industry 4.0 narrative but not readily identified from the discussion above relates to the advanced materials sector. Advanced materials can be classed as any material that offers an advantage over a traditional alternative. It may be a completely new material such as graphene, an existing material that has been improved, two or more existing materials that are combined to create a new improved material system like an advanced composite, or it may be a new way of using existing materials. Tees Valley has an established specialism in several sub-technologies, most strikingly in composites and polymers. The properties of these materials may include, for example, higher strength to weight ratio, or better fatigue and corrosion resistance than other materials such as metals. The market for composites and advanced materials is large, including aerospace, automotive, energy & environment and marine engineering. Making the most of the supply chain links within and beyond Tees Valley in these key areas would help embed local firms in some of the fastest growing and lucrative consumer markets.

7.4 The Tees Valley advanced manufacturing cluster is well placed geographically and technologically to take advantage of future trends in production techniques and business organisation, Attention should be focused on:

- Attracting additional profit centres from existing multi-nationals within the region.
- Equipping existing firms to sell their products and services on a wider international and national platform. This includes opening new opportunities for advanced material production in key consumer and capital manufacturing.
- Using the area's excellent innovation infrastructure and specialism in process base innovation to attract higher value-added activities, especially in flow processing and advanced material production.

Nature of Opportunity/Need	Actions	Timeframe for Delivery	Delivery Mechanism
Diversifying supply chains and entering new export markets	<ul style="list-style-type: none"> Creation of an inward investment prospectus and infrastructural support (linked to industrial symbiosis); Additional In-market (export) Support/ Trade Development Role; 	<p>Preliminary scoping work being undertaken</p> <p>Awaiting roll out (2018)</p>	<p>Sector led</p> <p>Sector led</p>
To further develop critical mass within the Advanced Manufacturing sector by attracting foreign direct investment to key sites which will enhance the size and scale of the sector in Tees Valley and also provide opportunities for internationally sourced knowledge transfer	<ul style="list-style-type: none"> Undertake audit of associated consultancy/servitisation businesses within the region and identify mechanisms to engage/create opportunities for international benchmarking and sourcing of foreign direct investment opportunities/international supply chains. Use demonstration space to attract (out of region) university spin-outs to the region 	<p>Preliminary scoping work being undertaken</p> <p>Awaiting roll out (2018)</p>	<p>TVCA led</p> <p>TVCA led</p>
Addressing the opportunity of enhanced digitisation and servitisation by ensuring knowledge transfer	<ul style="list-style-type: none"> Use digital technologies to ensure access to export markets and enhanced collaboration Development of key sector networks to encourage knowledge transfer/collaboration; 	Awaiting roll out (2018)	TVCA led
Few business start ups/scalable companies	<ul style="list-style-type: none"> Support enhanced graduate enterprise Focused Strategic Account Management to develop scalable companies within the sector; 	Preliminary scoping work being undertaken	Sector led
Mitigating the high costs of doing business within the Tees Valley through reducing energy and raw material costs	<ul style="list-style-type: none"> Undertake resilience study to ensure utilities infrastructure is future proofed Use investment in innovation (sector networks) to mitigate the high costs of doing business in Tees Valley, including use challenge funds to develop innovative circular economy and/or resource efficiency solutions 	<p>Medium term</p> <p>Awaiting roll out (2018)</p>	<p>Sector led</p> <p>TVCA led</p>
Ensuring the competitive advantage of the local innovation ecosystem	<ul style="list-style-type: none"> Development of Materials catapult, including <ul style="list-style-type: none"> Development of a pipeline of applied research projects aimed at addressing material processing needs: and Provision of demonstrator projects for alloy development 	Medium term	Sector led
Ongoing job vacancies and skills mismatch	<ul style="list-style-type: none"> Career inspiration programme Skills diagnostic for business compass In-work training programmes 	<p>Preliminary scoping work being undertaken</p> <p>Preliminary scoping work being undertaken</p>	<p>TVCA led</p> <p>TVCA led</p> <p>TVCA led</p>

Nature of Opportunity/Need	Actions	Timeframe for Delivery	Delivery Mechanism
Many job applicants lack basic (often interpersonal) skills		Preliminary scoping work being undertaken	
Need for technical / specialist retraining for changing market conditions	<ul style="list-style-type: none"> Developing centres of excellence / Institutes of technology approach 	Preliminary scoping work being undertaken	Sector led
	<ul style="list-style-type: none"> Address gaps in marketing and customs clearance work 	Preliminary scoping work being undertaken	Sector led
	<ul style="list-style-type: none"> Addressing the workforce challenge by middle management training and a programme of progression planning 	Preliminary scoping work being undertaken	Sector led
Need for greater clarity regarding use of apprenticeships	<ul style="list-style-type: none"> Signposting apprenticeship opportunities and promoting progression 	Preliminary scoping work being undertaken	TVCA led
Ensuring that there is 'fit for purpose' business accommodation	<ul style="list-style-type: none"> Updated sites and premises study identifying sectoral needs 	Medium term	TVCA led
Need for enhanced broadband speed and coverage	<ul style="list-style-type: none"> Roll out of full fibre network approach 	Ongoing	TVCA led

Regeneris Consulting / TVCA

8. Appendix A – Sectoral Definition

Table A.1 Definition of the TVCA's advanced manufacturing sector

SIC code	Description	SIC Code	Description
2410	Manufacture of basic iron and steel and of ferro-alloys	2712	Manufacture of electricity distribution and control apparatus
2420	Manufacture of tubes, pipes, hollow profiles and related fittings, of steel	2731	Manufacture of fibre optic cables

2511	Manufacture of metal structures and parts of structures	2732	Manufacture of other electronic and electric wires and cables
2512	Manufacture of doors and windows of metal	2733	Manufacture of wiring devices
2521	Manufacture of central heating radiators and boilers	2790	Manufacture of other electrical equipment
2529	Manufacture of other tanks, reservoirs and containers of metal	2811	Manufacture of engines and turbines, except aircraft, vehicle and cycle engines
2530	Manufacture of steam generators, except central heating hot water boilers	2812	Manufacture of fluid power equipment
2540	Manufacture of weapons and ammunition	2813	Manufacture of other pumps and compressors
2550	Forging, pressing, stamping and roll-forming of metal; powder metallurgy	2814	Manufacture of other taps and valves
2561	Treatment and coating of metals	2815	Manufacture of bearings, gears, gearing and driving elements
2562	Machining	2821	Manufacture of ovens, furnaces and furnace burners
2571	Manufacture of cutlery	2841	Manufacture of metal forming machinery
2572	Manufacture of locks and hinges	2849	Manufacture of other machine tools
2573	Manufacture of tools	2891	Manufacture of machinery for metallurgy
2591	Manufacture of steel drums and similar containers	2892	Manufacture of machinery for mining, quarrying and construction
2592	Manufacture of light metal packaging	2893	Manufacture of machinery for food, beverage and tobacco processing
2593	Manufacture of wire products, chain and springs	2894	Manufacture of machinery for textile, apparel and leather production
2594	Manufacture of fasteners and screw machine products	2895	Manufacture of machinery for paper and paperboard production
2599	Manufacture of other fabricated metal products n.e.c.	2896	Manufacture of plastics and rubber machinery
2611	Manufacture of electronic components	2899	Manufacture of other special-purpose machinery n.e.c.
2612	Manufacture of loaded electronic boards	2931	Manufacture of electrical and electronic equipment for motor vehicles
2640	Manufacture of consumer electronics	3011	Building of ships and floating structures
2651	Manufacture of instruments and appliances for measuring, testing and navigation	3030	Manufacture of air and spacecraft and related machinery
2652	Manufacture of watches and clocks	3040	Manufacture of military fighting vehicles
2660	Manufacture of irradiation, electromedical and electrotherapeutic equipment	7112	Engineering activities and related technical consultancy
2670	Manufacture of optical instruments and photographic equipment	7120	Technical testing and analysis
2680	Manufacture of magnetic and optical media	7219	Other research and experimental development on natural sciences and engineering
2711	Manufacture of electric motors, generators and transformers	7490	Other professional, scientific and technical activities n.e.c.

Source: Tees Valley Combined Authority

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AGENDA ITEM 11

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

28 MARCH 2018

REPORT OF THE STRATEGY DIRECTOR

PERFORMANCE, EVALUATION AND RESEARCH FRAMEWORK

SUMMARY

This paper sets out a Performance, Evaluation and Research Framework (the Framework) for Tees Valley Combined Authority. The Framework will ensure that the Combined Authority builds on its present evidence based approach to decision making and embeds further mechanisms that demonstrate it is making a meaningful impact in delivering the key priorities in the Strategic Economic Plan (the SEP). The paper covers:

- Key purpose of the Framework;
- Activity and progress to date;
- External requirements for evaluation;
- Priority projects and research activity for 2018; and
- Governance and reporting.

RECOMMENDATIONS

It is recommended that Cabinet notes the content of this report and agrees:

- i. Priority projects and areas of research activity (Section 6);
- ii. To receive separate updates on individual areas of activity as required;
- iii. That the Combined Authority Annual Report includes performance information and identifies research and evaluation needs for 2018/19.

PURPOSE OF THE FRAMEWORK

1. The Performance, Evaluation and Research Framework will ensure that the Combined Authority takes an evidence based approach to policy making and commissioning activity. Ultimately it will support the policy making role of Cabinet, provide assurance to decision making, and demonstrate the organisation's role in delivering the Strategic Economic Plan (SEP). It will also support a more efficient approach to managing performance, research and evaluation across the region, reducing the need for consultancy by drawing on collective resources and increasing knowledge exchange. Activity will:

- Report against agreed organisational objectives for the Combined Authority;
- Provide an overview of progress and performance to deliver SEP priorities;
- Provide post-evaluation of projects and key areas of Combined Authority activity (including use of devolved funds); and
- Provide strong analysis to inform future priority setting and commissioning of activity (including funding and investment activity).

ACTIVITY AND PROGRESS TO DATE

2. This Framework builds on existing activity delivered by Combined Authority, including:

Performance

- **Economic Assessment and Quarterly Economic Review** - the Combined Authority uses a wide range of national, regional and local data sources, analysis and research reports to provide a detailed economic commentary for the region, including historical and emerging trends for the priority themes in the SEP. The Economic Assessment and the Quarterly Economic Reviews are published on the Combined Authority website;
- **Monthly Update Report** - a monthly narrative report provides key progress updates on priority themes in the SEP. This is circulated to Local Authorities and key partners;
- **Annual Report** - the Combined Authority and Tees Valley LEP have previously produced an Annual Report covering key areas of progress and performance against key metrics. This has included jobs and investment measures, as well as wider economic trends such as GVA and uptake of research, development and innovation. Case studies have been provided on projects and successes, and the report also identifies areas of focus for the coming year; and
- **Business Plan** - an annual Business Plan is produced for the financial year covering all areas of the Combined Authority's work. All actions are reviewed and risk is assessed on a monthly basis with the respective project owners. This is an internal reporting document shared at monthly performance meetings with Combined Authority Directors.

Evaluation

- Where we use our Investment Funds to support pilot programmes, they are designed to generate good quality evaluation findings, to allow a decision to be made as to whether to extend beyond the pilot phase;
- We adhere to national best practice in our existing evaluation activity, including the Treasury's 'Green Book' and Department of Transport's WebTAG appraisal process. We have successfully used strong local evidence to make the case for funding, powers and responsibilities to be devolved to Tees Valley; and
- In areas such as skills, education and employment, where we have received new devolved powers, we have set aside funding to ensure that we don't simply replicate the process set by government, but instead make better informed decisions about local priorities.

Research

- A Market Assessment was completed in February 2018 into business access to finance. This identified levels of need and gaps in existing funding products, which will be used to set up a new flexible fund that meets the needs of Tees Valley Businesses;
- A detailed assessment of the skills gap in the Construction sector was commissioned jointly by the Combined Authority and CITB in October 2017. This identified the employment and skills opportunities for the construction industry in Tees Valley, which were further tested at a Construction employer engagement event in February 2018; and
- Visitor research by NGI Solutions has been carried out on two strands:
 - A Visitor Survey in 2017 across Tees Valley involved face to face interviews with visitors, to understand where people were visiting from, how long they were staying, what they were spending and their motivations to make the trip. This is likely to be repeated in 2018;
 - Inputs have been gathered to inform the STEAM research model for the years 2015 and 2016. STEAM is an economic impact model used to measure visitor numbers, expenditure and employment. STEAM is a bottom up model using local data sources where available. It provides a clear and reliable picture of visitor volume and value in Tees Valley and will be repeated on an annual basis to track growth.

EXTERNAL REQUIREMENTS

3. A new Framework for Performance, Evaluation and Research will strengthen existing activity and increase the transparency of the Combined Authority's work. It will also be driven in part by external obligations for monitoring and evaluation. This includes the 5 Year Gateway review for devolved Investment Funds.
4. Tees Valley, in conjunction with the 8 other Combined Authorities¹ in receipt of City Growth Deals/Devolution deals have to develop a methodology and appropriate metrics to consistently evaluate the impact of the financial support within the respective Single Pots of said 9 bodies. The proposed evaluation framework is in two parts. It will cover all activities supported under the Single Pot and subsequently contribute to the first Gateway Review (August 2020), including:
 - National Performance: Using an agreed list of metrics, the evaluation will assess performance of Tees Valley against key indicators, in order to assess progression; and
 - Local Performance: In order to provide 'local granularity and assess value for money' the specialist panel of external evaluators, will develop a local evaluation methodology, incorporating the national performance indicators but augmented by

¹ Glasgow and Clyde Valley, Greater Cambridge, Greater Manchester, Liverpool, North East, South Yorkshire, West Midlands and West Yorkshire

outputs and impacts specific to the range of projects supported by the Tees Valley single pot.

5. Outputs and impacts highlighted in the SEP logic model, augmented by assessment frameworks developed by the six working groups within Tees Valley, will inform the subsequent external evaluation of the Single Pot.

PRIORITY PROJECTS AND AREAS OF ACTIVITY

6. The Framework will incorporate a series of mechanisms to collate data and intelligence, and support local decision making. Further details are provided below.
 - We will develop an Information Portal that incorporates a local company database, together with a Customer Relationship Management Tool and enhanced Data Visualisation facility. This will include a self-service facility, which will allow us to provide partners with real time information about business performance and experiences in the regional economy. The Portal will align with Local Authority systems and connections with business as far as possible, and will allow for joint access to information;
 - Baseline Analysis and Target Setting for 2018/19 will provide us with a strengthened mechanism to manage our performance. This will take place in discussion with constituent Local Authorities, will include comparisons to statistical neighbours and will be reported more widely through the Combined Authority's Annual Report. This will also provide an evidence base to prioritise spend for devolved activities, in particular the Adult Education Budget (to be devolved from 2019/20);
 - Programme Evaluation will be developed in line with the National Gateway Evaluation Framework for the following projects:
 - Superfast Broadband;
 - Salters Lane Ingenium Park;
 - AGE Grant Extension;
 - New Apprenticeship Grant;
 - Routes to Work;
 - Transforming Tees Fund Match; and
 - Culture: Destination Marketing Programmes.
 - We will continue to undertake bespoke research:
 - A Science and Innovation Audit for the Chemicals Sector will ensure that the Northern Powerhouse contributes to the successful delivery of the UK Strategy for Chemistry fuelled growth, which aims to deliver 'by 2030, chemistry using industries will increase their contribution to the UK economy from £195billion to £300 billion;
 - We will explore developing an Urban Transport Management System for Tees Valley, to allow the different applications used in modern traffic management systems to communicate and share information with each other;
 - As an early priority, we will commission research into the commercial property market across the Tees Valley to assess any gaps in existing/planned provision and identify possible development models necessary to address market failures in the commercial property sector. We will explore the option

- for this to include a focus on land availability and appropriateness for sectors to grow, which can be used for more targeted activity with business; and
- We will collate housing market intelligence at a regional level (influenced by the SEP) to reinforce Local Plans, and provide a clear understanding of emerging housing demand. This will include an emphasis on what is attractive to businesses and investors, to ensure that future activity is targeted appropriately.
- Mayoral Challenge Initiatives²: Building on good practice identified in Bristol and London, where the respective Mayors have developed challenge funds, the proposed programme will encourage industry, university and government (local and national) collaboration to address specified research challenges related to economic, environmental, or community issues. The programme will identify research challenges and then provide facilitation and business case support ultimately leading to the development of a number of implementation plans. There will be an initial focus on digitisation and the circular economy;
 - We will continue to respond to government consultations, including Congestion, Capacity, Carbon: Priorities for National Infrastructure; and the International Trade White Paper. Alongside this, we will undertake our own engagement and consultation, to ensure that our priorities and approach reflect the needs and interests of local stakeholders. For example, in developing our Education Employment and Skills Strategy; consulting with businesses in preparation for devolution of the Adult Education Budget, consulting with residents and businesses regarding our emerging transport strategy and to understanding the impacts of Brexit on Tees Valley businesses. Our consultation approach will engage through existing forums across the region and in individual Local Authorities; and
 - We will develop performance metrics for key areas of activity, including the impact of investment activity. These will be reported through existing management structures, involving Local Authorities, and be communicated more widely through the Combined Authority Annual Report
 - Sector Action Plans – will drive forward our approach to growth in priority sectors for the region. These will form a robust evidence base, co-developed between the Combined Authority, Local Authorities and industry experts on which to base our future interventions.
7. To ensure that the Combined Authority accesses specialist knowledge and expertise as required, a research procurement framework will be established for:
- Economic Modelling and Forecasting ;
 - Specialist Appraisal and Evaluation;
 - Data Analytics, Programming and Visualisation; and
 - Specialist research and policy design for all thematic areas.

² Not funded from the Research Budget

GOVERNANCE AND REPORTING

8. The Framework will help ensure that the Combined Authority drives forward an effective and relevant policy agenda, which is underpinned by a robust evidence base, can respond to economic and policy change, and the impact of local and national interventions/ economic shocks. The Combined Authority Cabinet will have responsibility and oversight of the Framework, and it will inform their policy setting and decision making roles. Joint areas of work will be developed with Local Authority staff, to ensure that the framework is fit for purpose and also adds value to individual Local Authorities.
9. The Combined Authority will also work with an Expert Advisory Group, to help shape the on-going approach. This will include relevant experts from academia and industry. Alongside this, the Combined Authority will continue to engage with relevant organisations, and draw on the support available to Mayoral Combined Authorities (e.g. Bloomberg, Centre for Cities / Boston University and the UK leading research group of Universities). We will also work with local research partners, including Teesside University and Durham Universities, to harness their research expertise and local intelligence. This will include accessing longitudinal studies about social and economic impact in Tees Valley. Internal resources will be used where possible.
10. The Combined Authority Annual Report will include a performance dashboard that will provide an overview of economic trends and local impact. The Annual report will also identify areas where there are increased needs for research and evaluation to strengthen reporting and enhance the impact of local activity.

(See appendix A for diagram of governance and reporting structures).

FINANCIAL IMPLICATIONS

11. A budget of £600,000 for three years was identified in the Investment Plan for research and evaluation. Combined Authority procurement procedures will be followed to ensure that value for money is demonstrated in all activity. There is no requirement for external due diligence. It is proposed that the resources are apportioned as below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Information Portal	£40K	£25K	£25K	£30K	£30K
Baseline Analysis and target setting	N/A	N/A	N/A	N/A	N/A
Programme Evaluation	£75k	£100k	£125k	£75k	£75k
Bespoke Research and Events	£100k	£50k	£60K	£50K	£50K
Total	£215K	£175K	£210K	£155K	£155K

LEGAL IMPLICATIONS

12. There are no direct legal implications.

RISK ASSESSMENT

13. Without a robust Framework for Performance, Evaluation and Research, there is a risk that the Combined Authority does not take an evidenced based approach to priority setting, investment and commissioning of activity. This would fail to maximise the resources and opportunities to maximise the economic growth potential of the region.

CONSULTATION

14. This paper brings together areas of activity that have been consulted on separately, therefore no consultation took place for this report.

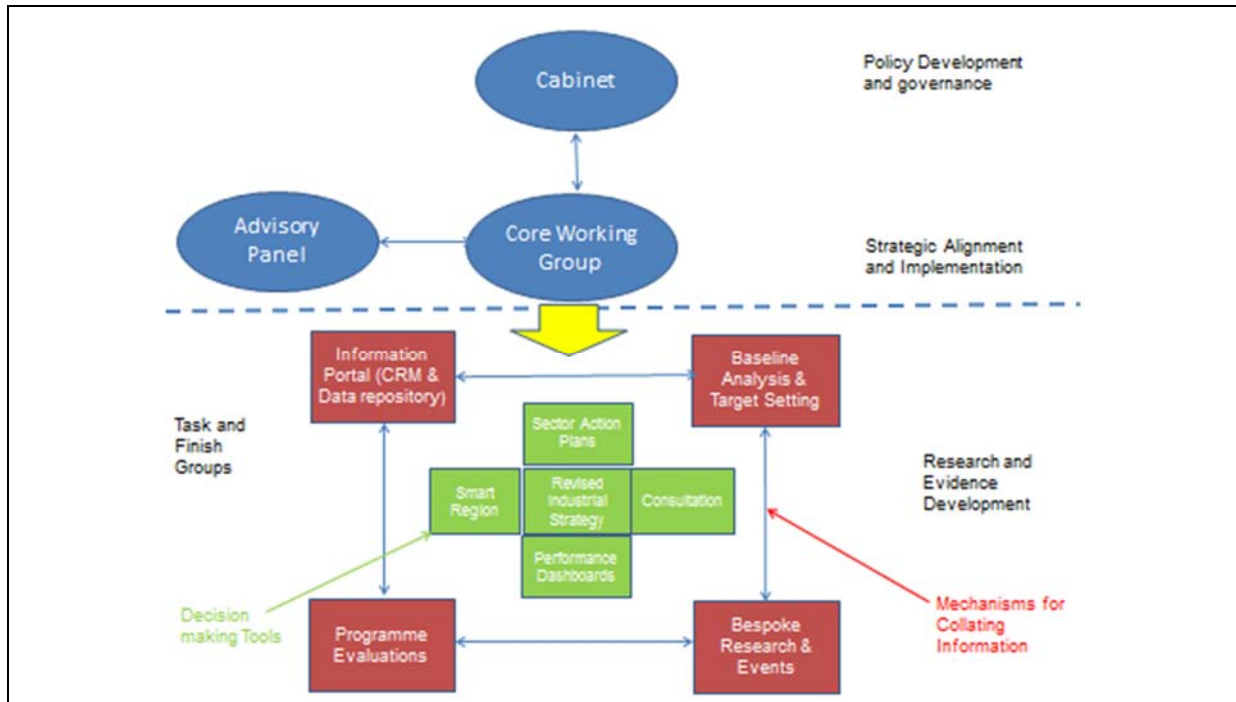
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Appendix A



Activity	Resource	Budget
Advisory Group		
<p>The remit of the group is:</p> <ul style="list-style-type: none"> • Inform a five year research agenda for the Tees Valley; • Highlight emerging policy, and potential areas of influence; and • Develop a high level 'Theory of Change' for the Tees Valley. 	<p>Policy Manager.</p> <p>It is envisaged that the group will include the following:</p> <ul style="list-style-type: none"> • Combined Authority Managing Director / Strategy Director • Mayor and Council Leads • Up to six academics / experts covering the six themes of the SEP. 	<p>No direct financial implications.</p>
Core Working Group		
<p>The remit of the group is:</p> <ul style="list-style-type: none"> • To review emerging/existing interventions and determine the evaluation and research needs of each project/programme/theme; • Establish longitudinal studies; • Develop high level theory of change for each of the themes and the complementarity of thematic monitoring and evaluation activities; • Sign off outline terms of reference for pipeline of evaluations and bespoke research studies; and • Agree annual research and evaluation budget. 	<p>Strategy Director Lead/ Policy Manager.</p> <p>It is envisaged that the group will include the following:</p> <ul style="list-style-type: none"> • Thematic Heads; • Policy Manager, Investment Manager and Economic Strategy Manager. 	<p>No direct financial implications.</p>

AGENDA ITEM 12

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

28 MARCH 2017

**REPORT OF THE
FINANCE DIRECTOR**

BUDGET 2017/18 – QUARTER 3

SUMMARY

The purpose of this report is to update members on the financial position of the Combined Authority for the period ending 30th September 2017. The report also briefly sets out the current position in relation to the appointment of external auditors for the Combined Authority.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority:

- i. Note the position on the Core Budget and General Reserve balance.
- ii. Note the changes and updated Resource position at Appendix A.
- iii. Note the allocations from the Development Fund and remaining balance identified in Appendix B.
- iv. Note the position on SSI Task Force funding.
- v. Note the position on the appointment of external auditors from 2018/19.

DETAIL

Core Budget

1. The following table details the budget and projected outturn for the core budget for the quarter ending 31st December 2017. The position will continue to be monitored and reviewed during the course of the year.

	Budget	Projected Outturn	Variance
	£000	£000	£000
Salaries Costs	2,691	2,624	(67)
Other Non Staffing Expenditure	959	1,007	48
TOTAL EXPENDITURE	3,650	3,631	(19)
LA Contributions	(250)	(250)	0
Local Enterprise Partnership Grant	(610)	(610)	0
Local Growth Fund	(266)	(266)	0
Contribution from Single Revenue Pot	(2,394)	(2,354)	40
Other Income	(130)	(151)	(21)
TOTAL FUNDING	(3,650)	(3,631)	19
NET EXPENDITURE	0	0	0

2. The overall underspend of £19k is mainly due to staff vacancies and reduced support service charges offset by increased cost from new posts. Some of the new posts reflect financial and legal services being undertaken in-house and thus are directly associated with support service cost reductions.
3. Taking account of additional income for financial and communications services to the South Tees Development Corporation, the contribution needed from the single revenue pot will be reduced by £40k.

Mayoral Election

4. The costs for the Mayoral election have now been finalised from each constituent authority and total £1.083 million, a saving of £73k against budget as a result of efficiency measures taken across the councils.

Concessionary Fares

5. As the transport authority for the Tees Valley, the Combed Authority is required to pay concessionary fare reimbursements to bus operators which is funded by the Local Authorities. Additional routes have become eligible for concessionary fare payments totalling £50k, these will be covered by surplus reserves on the accounts from previous years.

Combined Authority Investment Plan

6. Since the quarter 2 budget report in November to Cabinet there have been a number of new / additional scheme approvals which are outlined below.

7. An additional £6.15 million of Combined Authority investment was approved into the £21.84 million TAMP project (on top of £1.5 million of grant funding previously approved), to fund site acquisition, ground remediation and infrastructure works to enable the development of new advanced manufacturing accommodation. Once the Combined Authority borrowing powers are in place they will be used to fund this investment with repayments to be financed from Enterprise Zone business rate income the development will generate.
8. Approval was given to co-invest £3.23 million into Darlington Borough Council's proposal to bring forward the development of new Grade A office accommodation at Feethams in Darlington Town Centre. Cabinet approved the use of the Combined Authority's prudential borrowing powers, once they are in place, to fund the Project, with the repayments to be financed from rental income to be received as a result of the investment
9. An additional £3.66 million of Combined Authority investment has been approved towards the Kirkleatham Walled Garden Project and associated Infrastructure, on top of the original £2.7 million allocated, with a total project cost of £8.18 million. This covers the first two phases of the overall programme to develop the Kirkleatham estate.
10. To enable infrastructure and improvements on the road network an additional £1.7 million has been allocated to Salters Lane / Ingenium Park. Following on from the development the Combined Authority will be paid a percentage share of any receipts from land sales on phase 1 of the project.
11. The Combined Authorities Education, Employment and Skills plan named "Inspiring Our Future" was presented to Cabinet. Within this an investment of £12 million of TVCA funding was identified under the below headings:-
 - Supporting education innovation and collaboration £2 million
 - Developing a skills system for business growth £2 million
 - Addressing long-term unemployment £4.5 million (of which £1.5million had already been committed to match fund the Routes to Work programme)
 - Creating a Tees Valley Careers and Enterprise initiative £3 million
 - Business challenge and workforce planning £1.5 million.
12. £500k was assigned to a project which is linked to the existing TWI Validation Centre on TAMP and the pipeline project for a Nuclear Validation Centre on the same site. It will see Non Destructive Testing (NDT) research operations from the TWI Cambridge site be brought to Tees Valley. This is Phase 1 of the pipeline project for which TWI is currently seeking to secure ERDF.
13. A grant to Port Clarence Logistics of £300k, matched with Private Sector investment of £300k, was awarded to provide essential infrastructure on the site which will benefit a number of businesses in key sectors, help to deliver a number of priorities within the Strategic Economic Plan and support future growth. It will part fund an

Access Road between OSB and Wilton Engineering and Dredging at Port Clarence to allow for deeper vessels to dock.

14. An advanced loan was approved to Hartlepool Borough Council of £300k to fund an urgent building acquisition that forms part of phase 2 of the Innovation Skills Quarter project.
15. A loan of £250k loan was allocated to carry out the final stage feasibility and detailed design work for the proposed Snow Centre at Middlehaven in Middlesbrough.
16. Government announced that additional funding was to be made available from the Pothole Action Fund, and as a result of this the Tees Valley was allocated £488,937 for the current financial year. This funding has been paid over to each of the constituent authorities proportionately.
17. An allocation of £656k was granted to the Centre of Excellence in Technical Training in Hartlepool to bring the former Northern Lights Academy back into use. The core focus being the provision of technical education and learning pathways with specific emphasis on creative industries.
18. The revised resource position incorporating approved schemes and funding is shown in Appendix A.

Development Fund

19. The Development Fund was created to provide upfront investment in feasibility work to ensure that when proposals come forward under the Strategic Economic Plan priorities they are sufficiently developed for decision making and to allocate funding. Additional funding was allocated to the existing Development Fund as part of the Investment Plan refresh. Allocations have been approved under agreed delegation arrangements. The position on funding and approved allocations is shown in Appendix B.
20. When schemes are developed and progress through due diligence the intention is that the Development Fund will be replenished from the funds allocated following the full scheme approval. Since the Qtr2 budget report two projects have successfully progressed to the next stage allowing their development funding to be repaid into the pot, they were South Bank Wharf (£75k) and Hartlepool Innovation Skills Quarter Phase 1b (£233k).

Task Force Funding

21. As reported to Cabinet in July as part of the Budget Outturn Report for last financial year the balance on Task Force Funding was £29.204 million at 31st March 2017, of which £56k was returned to Redcar Council for additional safety net fund costs leaving an allocation of £29.148 million.

22. A proposal was put to BEIS in December 2017 to extend the programmes beyond the previously agreed end date and this was approved. Within this proposal we also identified that £500k which was allocated to support the former SSI apprentices complete their apprenticeship was no longer required for that purpose, and requested this was re-allocated into the devolved pot, this was also approved by BEIS.

23. During the first three quarters of £5.152 million has been spent to support both businesses and individuals affected by the closure of SSI as well as provide wider economic benefits for the area. The following table shows the available funds and actual spend to date in 17/18.

	Opening balance 1.4.17 & Adjustments £'000	Qtr 1,2 & 3 Spend 17/18 £'000	Balance at 31.12.17 £'000
Flexible Fund	4,562	1,510	3,052
Apprentices Support	373	220	153
Jobs and Skills Investment Scheme	3,060	1,513	1,547
Start-up advice and start-up grants	800	400	400
Supply Chain	8,418	1,509	6,909
Wider Economic Impact - Redcar Growth Zone	5,000	0	5,000
Devolved Funding Pot	6,935	0	6,935
TOTAL	29,148	5,152	23,996

FINANCIAL IMPLICATIONS

24. This report gives an update on performance against the budget for the Combined Authority.

LEGAL IMPLICATIONS

25. None

RISK ASSESSMENT

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

CONSULTATION

27. Not Applicable.

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Appendix A

	INVESTMENT PLAN PERIOD					TOTAL
	2016/17	2017/18	2018/19	2019/20	2020/21	
	£'000	£'000	£'000	£'000	£'000	
Income						
Local Growth Fund	37,799	27,989	13,708	9,416	14,207	103,119
Devolution	15,000	15,000	15,000	15,000	15,000	75,000
Enterprise Zones	533	1,091	1,517	1,678	3,152	7,971
Local Transport Plan	13,935	13,952	13,952	13,952	13,952	69,743
Loan Repayments & Investment Income	1,020	2,501	1,715	1,668	568	7,473
Local Enterprise Partnership Grant	500	610	500	500	500	2,610
Growing Places Fund	4,364	0	0	0	0	4,364
Education, Employment & Skills Specific Grant Schemes	1,258	1,488	2,050	2,050	1,021	7,867
Transport Specific Grant Schemes	2,067	4,757	1,109	1,051	0	8,984
Other Specific Grant Schemes	1,364	1,071	1,067	0	0	3,502
European Structural Investment Fund	339	1,220	5,926	4,821	0	12,306
ERDF Legacy	0	0	11,000	0	0	11,000
SSI Task Force	42,509	0	0	0	0	42,509
Concessionary Fares Income	16,505	16,649	16,649	16,649	16,649	83,100
Local Authority Contributions	2,472	250	250	250	250	3,472
Other Income	0	130	617	580	572	1,899
TOTAL INCOME	139,665	86,707	85,060	67,615	65,871	444,919
Approved Commitments						
Business Growth	3,627	6,145	19,683	8,136	1,750	39,341
Research, Development, Innovation & Energy	2,008	3,926	18,884	6,000	0	30,818
Education, Employment & Skills	4,554	7,462	17,399	6,270	4,707	40,391
Culture	0	1,050	2,487	450	0	3,987
Transport	21,237	22,042	20,145	17,176	13,952	94,551
Enabling Infrastructure	58	7,044	13,205	0	0	20,307
Development Fund	558	2,634	3,300	186	0	6,678
Evaluation & Delivery	0	0	500	622	676	1,798
SSI Related Schemes (Not allocated to Investment Plan themes)	10,306	5,851	4,989	0	0	21,146
Core Running Costs	2,972	3,650	4,813	4,894	4,987	21,316
Mayoral Election	0	1,083	0	0	600	1,683
Concessionary Fares	16,505	16,649	16,649	16,649	16,649	83,100
TOTAL EXPENDITURE	61,825	77,535	122,052	60,382	43,321	365,115
						0
AVAILABLE FOR NEW INVESTMENTS	77,840	9,172	-36,992	7,233	22,550	79,804

DEVELOPMENT FUNDED PROJECT	AMOUNT
CPI Healthcare Futures Centre (Personalised Medicines)	250,000
South Tees Development Corp Loan	400,000
Highways Challenge Fund	200,000
Buses Act	80,000
Dragongate Relocation Study	18,750
Redcar Railway Station Business Quarter	50,000
Skippers Lane Industrial Estate Expansion	100,000
Durham Tees Valley Airport Proposal Development	45,919
Teesside Advanced Manufacturing Park EZ - Remediation and Development	120,000
Boho Next Generation	100,000
Hartlepool Innovation & Skills Quarter Phase 2	505,000
Hartlepool Waterfront	680,000
HCFE/JDR Energy Life-Cycle Centre	300,000
Kirkleatham Estate Investment Project	415,000
Feethams Grade A Office Development	100,000
River Tees Development Plan	130,000
Faverdale (Phase 1)	220,000
Darlington Station	300,000
Ministry of Building Innovation	350,000
South Tees Development Corporation Site Investigations	750,000
Eaglescliffe Station Western Access	657,938
Tees Valley Waste Strategy	400,000
Full Fibre Network	70,000
Green Blue Heart Development Funding	185,000
Rail Gauge Enhancement Teesport - ECML	250,000
COMMITTED FUNDS	6,677,607

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AGENDA ITEM 13

**REPORT TO THE TEES
VALLEY COMBINED
AUTHORITY CABINET**

28 MARCH 2018

**REPORT OF THE FINANCE
DIRECTOR**

TREASURY MANAGEMENT STRATEGY 2018/19

SUMMARY

This report informs Members of the proposed 2018/19 Treasury Management Strategy (TMS) and Treasury Management Practices (TMP's) for Tees Valley Combined Authority.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet approve the Treasury Management Strategy and Treasury Management Practices as presented in the report.

DETAIL

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in February and August last year and published its new 2017 editions in early 2018.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

Revised strategy: In accordance with the CLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Authority's capital programme or in the level of its investment balance.

The CIPFA Code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Code identifies twelve areas where statements of Treasury Management Practices (TMP's) should be developed to implement the full requirements of the Code. These TMP's are included in Appendix D for approval.

External Context

Economic background: The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remains relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to increase to 1.25% during 2018/19, following the rise from the historic low of

0.25%. The Monetary Policy Committee noted that any prospective increases in Bank Rate would be to a higher level and sooner than originally anticipated..

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Schedule 1**

Local Context

On 31st December 2017, the Authority had £97m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	0	0	0	0	0
Total CFR	0	0	0	0	0
Less: Other debt liabilities	0	0	0	0	0
Borrowing CFR	0	0	0	0	0
Less: Usable reserves	87,316	94,465	72,369	79,191	102,203
Less: Working capital	-9,258	-7,107	-5,829	-4,361	-4,245
Investments	78,058	87,358	66,540	74,830	97,958

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. If there are any changes to this position then further reports will be presented to Cabinet.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2018/19.

Borrowing Strategy

The primary legislation which established Combined Authorities made provision for them to receive borrowing powers, akin to those already in place for other local authorities. In the 2016 Budget, the Chancellor of the Exchequer confirmed his intention to enact this provision using secondary legislation. A draft of the 'The Tees Valley Combined Authority (Borrowing) Regulations 2018' Statutory Instrument was laid before **and approved** by a resolution of each House of Parliament at the end of 2017.

The balance sheet forecast in table 1 shows that the Authority does not expected to borrow in 2018/19 but has approved a borrowing commitment of £6.5m in relation to the TAMP scheme.

As noted on the Investment Update report presented to Cabinet on the 21st December borrowing is not required until 2021.

The authority currently has an active pipeline of 31 investment proposals amounting to £152m which are currently under review. If borrowing is required for any of these schemes further reports will be presented to Cabinet for consideration.

The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £100 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans, change is a secondary objective.

Strategy: The Authority's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of any future debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Teesside Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase

- Private Finance Initiative
- sale and leaseback

The Authority when borrowing will investigate all available sources of finance, such as local authority loans and bank loans, to achieve the most favourable rates.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 7 months, the Authority's investment balance has ranged between £78m and £131 million, and levels are expected to increase in the forthcoming year as spending plans are developed.

Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the **security and liquidity** of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and low returns from short-term unsecured bank investments, the **Authority aims to diversify into more secure and/or higher yielding asset classes during 2018/19**. All of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, with local authorities and money market funds. This diversification will represent a **substantial change in strategy** over the coming year.

Approved counterparties: If the strategy is approved the Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 10 years	n/a	n/a
AAA	£7,500,000 5 years	£15,000,000 10 years	£15,000,000 10 years	£7,500,000 10 years	£7,500,000 10 years
AA+	£7,500,000 5 years	£15,000,000 10 years	£15,000,000 10 years	£7,500,000 10 years	£7,500,000 10 years

AA	£7,500,000 4 years	£15,000,000 5 years	£15,000,000 10 years	£7,500,000 5 years	£7,500,000 10 years
AA-	£7,500,000 3 years	£15,000,000 4 years	£15,000,000 10 years	£7,500,000 4 years	£7,500,000 10 years
A+	£7,500,000 2 years	£15,000,000 3 years	£7,500,000 5 years	£7,500,000 3 years	£7,500,000 5 years
A	£7,500,000 13 months	£15,000,000 2 years	£7,500,000 5 years	£7,500,000 2 years	£7,500,000 5 years
A-	£7,500,000 6 months	£15,000,000 13 months	£7,500,000 5 years	£7,500,000 13 months	£7,500,000 5 years
None	n/a	n/a	£15,000,000 10 years	£5,000,000 5 years	£7,500,000 5 years
Pooled funds	£15m per fund				

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £5m per company as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £15m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made

with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, Combined Authority, Police and Crime Commissioner, Fire Authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£60m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£40m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£100m

Investment limits: The Authority’s revenue reserves available to cover investment losses will be set at £692,000 on 31st March 2018. The maximum that will be lent to any one organisation (other than the UK Government) will be £15 million Based on table 4 below. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£15,000,000
UK Central Government	unlimited
Any group of organisations under the same ownership	£15,000,000
Any group of pooled funds under the same management	£37,500,000
Negotiable instruments held in a broker’s nominee account	£37,500,000
Foreign countries	£15,000,000
Registered providers	£37,500,000
Unsecured investments with building societies	£15,000,000
Loans to unrated corporates	£15,000,000
Money Market Funds	£75,000,000

Liquidity management: The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses through the **new business finance facility**, or as equity investments.

Such loans and investments will be subject to the Authority’s normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

Investments that are not part of Treasury Management Activity

Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions.

The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Authority will ensure that all the organisation’s investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation’s risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures: This indicator is set to control the Authority’s exposure to interest rate risk:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	£20m	£20m	£20m
Upper limit on variable interest rate exposure	£20m	£20m	£20m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing: This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days: The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£60m	£40m	£20m

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on the use of financial derivatives: In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Investment training: The needs of the Authority’s treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, or other appropriate organisations.

Investment advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

Investment of money borrowed in advance of need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority’s overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £100 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2018/19 is £200,000 based on an average investment portfolio of £90 million. As the Authority is not expected to enter into any borrowing arrangements in 2018/19 the budget for debt interest is £0 million. If actual levels of

investments and borrowing differ from those forecast, performance against budget will be correspondingly different.

Prudential Indicators and Minimum Revenue Provision (MRP)

The Authority has also regulatory requirements with regards to the publishing of prudential indicators and the MRP Statement. These are attached at ***Appendix C***.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Finance Director believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

Schedule 1 – Arlingclose Economic & Interest Rate Forecast February 2018

Underlying assumptions:

- The MPC has raised expectations for further rises in Bank Rate, both sooner and to a higher level than previously anticipated by markets. Reiterating the view of the UK economy's impaired supply capacity and survey data of higher private sector earnings growth, meaning inflationary outcomes are more likely, the MPC also revised the UK's economic growth prospects slightly higher due to the pull of global economic momentum.
- Significantly, the MPC also decided to shorten the forecast horizon over which inflation will be brought back to the CPI target.
- The MPC believes that soft domestic consumption will recover as the inflationary impact of weaker sterling fades. Their projections assume that households and companies base their decisions on a smooth adjustment to the new trading relationship with the EU.
- However, the additional moves made by the Bank to intentionally raise interest rate expectations suggests a wider strategy. By moving quickly and creating the conditions for monetary tightening, monetary policy will be a more effective weapon should downside Brexit risks crystallise.
- Our view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q4 2017 GDP growth was 0.5%, after a 0.4% expansion in Q2. Household consumption growth has softened, despite high employment and low saving rates. Housing markets are soft. Nevertheless, we cannot disregard the MPC's forceful intent and signal in the February Inflation Report and accompanying commentary.
- The depreciation in sterling is assisting the economy to rebalance away from spending. Export volumes have increased, helped by a stronger global and Eurozone economic expansions.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

Forecast:

- Over the near term, Arlingclose must forecast the MPC's actions rather than the expected level of monetary policy given our assessment of the UK economy. There is clear momentum on the MPC for higher Bank Rate and this is likely to crystallise from May 2018.

- The MPC has heightened expectations of more increases in Bank Rate and at a quicker pace despite only modest changes in inflation and growth forecasts, based on the Bank’s perceptions of impaired supply capacity and a desire to bring inflation back to target more quickly.
- Our central case is for Bank Rate is to rise twice in 2018 and once more in the first half of 2019. The risks are weighted to the downside.
- Gilt yields have risen but remain historically low; current yields already incorporate higher Bank Rate expectations, so we expect little further upward movement.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.08
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.58
3-month LIBID rate														
Upside risk	0.00	0.05	0.10	0.10	0.20	0.20	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.22
Arlingclose Central Case	0.50	0.75	0.85	1.00	1.10	1.35	1.35	1.35	1.35	1.30	1.30	1.30	1.30	1.14
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.57
1-yr LIBID rate														
Upside risk	0.05	0.10	0.20	0.20	0.30	0.30	0.35	0.35	0.40	0.50	0.50	0.50	0.50	0.33
Arlingclose Central Case	0.70	0.95	1.10	1.30	1.40	1.65	1.65	1.60	1.55	1.50	1.50	1.50	1.50	1.38
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.57
5-yr gilt yield														
Upside risk	0.20	0.20	0.20	0.20	0.20	0.25	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.31
Arlingclose Central Case	1.15	1.35	1.40	1.50	1.55	1.60	1.65	1.70	1.70	1.70	1.65	1.65	1.65	1.56
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
10-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	1.65	1.80	1.85	1.90	2.00	2.05	2.10	2.15	2.15	2.15	2.05	2.05	2.05	2.00
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
20-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	2.00	2.10	2.15	2.15	2.20	2.25	2.25	2.20	2.15	2.20	2.20	2.20	2.20	2.17
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
50-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	1.80	1.95	2.00	2.00	2.05	2.10	2.10	2.05	2.00	2.05	2.05	2.05	2.05	2.02
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50

Appendix B – Existing Investment Portfolio Position

Counterparty	Amount £	Rate %	Start Date	Maturity Date
Bank Of Scotland	5,000,000	0.50%	06-Dec-17	06-Mar-18
Bank of Scotland	5,000,000	0.36%	06-Oct-17	06-Apr-18
Coventry BS	5,000,000	0.44%	11-Oct-17	11-Apr-18
Goldman Sachs	5,000,000	0.38%	29-Dec-17	06-Apr-18
Santander	10,000,000	0.40%	12-Oct-16	95 Day Notice
Standard Life	10,000,000	Variable	06-Oct-16	Money Market Fund
Federated	10,000,000	Variable	06-Oct-16	Money Market Fund
Blackrock	4,000,000	Variable	07-Dec-16	Money Market Fund
Blackpool BC	3,000,000	0.27%	11-Sep-17	11-Jan-18
Leeds	5,000,000	0.40%	19-Oct-17	19-Apr-18
Newham	5,000,000	0.30%	30-Oct-17	29-Mar-18
Northamptonshire	5,000,000	0.55%	05-Oct-17	05-Jul-18
Slough	5,000,000	0.38%	28-Sep-17	28-Feb-18
Stirling	3,000,000	0.50%	23-Nov-17	23-May-18
Suffolk County	5,000,000	0.45%	05-Dec-17	05-Mar-18
Surrey Heath	2,000,000	0.50%	22-Nov-17	22-May-18
Merthyr Tidfil	5,000,000	0.50%	22-Dec-17	23-Apr-18
Telford & Wrekin	5,000,000	0.27%	07-Sep-17	08-Jan-18
	97,000,000	0.41%		

Appendix C - Prudential Indicators 2018/19

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow.

The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Business Growth	6,989	1,500	1,750	1,750
Research, Development, Innovation & Energy	6,600	13,400	9,000	0
Education, Employment & Skills	4,288	5,332	0	0
Transport	19,866	18,877	16,352	13,952
Infrastructure	4,883	0	0	0
Development & Evaluation	6,883	0	0	0
Total Expenditure	49,509	39,109	27,102	15,702
Government Grants	49,509	39,109	27,102	15,702
Reserves	0	0	0	0
Revenue	0	0	0	0
Borrowing	0	0	0	0
Total Financing	49,509	39,109	27,102	15,702

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
General Fund	0	0	0	0
Total CFR	0	0	0	0

The CFR is forecast to remain at £0 over the next three years as capital expenditure is fully financed through grants.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Borrowing	0	0	0	0
Finance leases	0	0	0	0
PFI liabilities	0	0	0	0
Transferred debt	0	0	0	0
Total Debt	0	0	0	0

As all current planned capital expenditure is fully financed total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	0	75	75	75
Other long-term liabilities	0	0	0	0
Total Debt	0	75	75	75

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m
Borrowing	10	100	100	100
Other long-term liabilities	0	0	0	0
Total Debt	10	100	100	100

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	%	%	%	%
General Fund	0	0	0	0

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*. It fully complies with the Codes recommendations.

FINANCIAL IMPLICATIONS

Treasury Management Investment activity during 2018/19 is budgeted to generated income of £200k.

LEGAL IMPLICATIONS

None.

RISK ASSESSMENT

This Treasury Management Strategy annual report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

Not applicable.

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APPENDIX D

TEES VALLEY COMBINED AUTHORITY TREASURY MANAGEMENT PRACTICES

The “**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes**” (the Code) identifies twelve areas where statements of Treasury Management Practices (TMP’s) should be developed to implement the full requirements of the Code.

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TMP1 TREASURY RISK MANAGEMENT

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

[1] Credit and counter party risk management

The Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment. It will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved Instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counter party policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivate arrangements.

[2] Liquidity risk management

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.

This authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme, where it is under borrowed or to finance future debt maturities.

[3] Interest rate risk management

The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

[4] Exchange rate risk management

The Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

[5] Refinancing risk management

The Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counter parties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above."

[6] Legal and regulatory risk management

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counter party policy under *TMP1.4 Credit and counter party risk management*, it will ensure that there is evidence of counter parties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation."

[7] Fraud, error and corruption, and contingency management

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[8] Price risk management

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

[9] Inflation risk

The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

The Authority is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document."

TMP3 DECISION MAKING AND ANALYSIS

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document."

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *TMP1 Risk management*.

The Authority has reviewed its classification with financial institutions under MIFID II and has registered as a professional client with relevant organisations.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when The Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The Authority (i.e. full Board) will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The board will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

The authority should report the treasury management indicators as detailed in their sector specific guidance notes.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The responsible officer will prepare, and The Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Risk management, TMP2 Best value and performance measurement, and TMP4 Approved instruments, methods and techniques*. The form which The Authority's budget will take is set out in the schedule to this document. The responsible officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with *TMP6 Reporting requirements and management information arrangements*.

The Authority will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of The Authority's accounts is set out in the schedule to this document.

The Authority will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of The Authority will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with *TMP1[2] Liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 MONEY LAUNDERING

The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counter parties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

TMP10 STAFF TRAINING AND QUALIFICATIONS

The Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and

experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

The Authority recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review, and it will ensure, where feasible and necessary, that a spread of service providers is used to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

The Authority has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business.

TMP12 CORPORATE GOVERNANCE

The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honest, integrity and accountability.

The Authority had adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by The Authority.

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TMP1 RISK MANAGEMENT

1.1 LIQUIDITY

1.1.1 Cash Flow

The treasury management section will maintain, on a daily basis, a cash flow projection showing;

- all known income and expenditure
- all anticipated income and expenditure.

This record will be maintained for a minimum period of 12 months ahead of current date.

1.1.2 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to ensure that funds held in the Authority's main bank account at the close of each working day are only those required for cash flow purposes, in order to minimise the amount of bank overdraft interest payable, and maximise the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim. However detailed contingency plans are also available to allow overdraft facilities of up to £0.25m. .

1.2 INTEREST RATE

1.2.1 Interest Estimates

- The treasury management section will maintain detailed forward projections showing estimates of the amount of interest to be received (from approved instruments) and of interest paid (from long term borrowings).
- Interest rate estimates shall be arrived at using market intelligence, derived from reputable city institutions, together with practical experience and knowledge of treasury management staff.

1.2.2 Maximum proportion of variable rate debt/interest

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates. Details can be located in the annual Treasury Management Strategy.

Policies concerning the use of financial derivatives for interest rate management

Stockton Council is not permitted to use financial derivatives for interest rate management.

1.3 EXCHANGE RATE

1.3.1 Approved criteria for managing changes in exchange rate levels

- a) As a result of the nature of the Organisation's business, the Organisation may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The Organisation will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Organisation will eliminate all foreign exchange exposures as soon as they are identified.
- b) Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Organisation has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.
- c) Stockton Council has no exposure to currencies other than sterling.
- d) Stockton Council is not permitted to use financial derivatives in exchange rate risk management.

1.4 CREDIT AND COUNTERPARTY POLICIES

1.4.1 Criteria to be used for creating/managing approved counter party lists/limits

1. The Director of Finance will formulate suitable criteria for assessing and monitoring the credit risk of investment counter parties and shall construct a lending list comprising time, type, sector and specific counter party limits.
2. Treasury management staff will add or delete counter parties to/from the approved counter party list in line with the policy on criteria for selection of counter parties. This will be one on the approval of the Director of Finance. The complete list of approved counter parties will be included in the Treasury Management Strategy, Mid Term Report and Annual Report.
3. The primary criteria used in the selection of counter parties is their credit worthiness. However the authority will also monitor latest market information and reduce the limits imposed on third parties where appropriate.

4. The Authority's Treasury Management Advisors provide a regular update of all the ratings relevant to the authority as well as any changes to the counterparty credit ratings. This information is also available via their website.
5. Credit ratings will be used as supplied from one or more of the following credit rating agencies:-

Fitch
Standard & Poor's
Moody's Investors Services
6. Limits will be as set within the annual Treasury Management Strategy reported to the Board.

1.4.2 Approved methodology for changing limits and adding/removing counter parties

Credit ratings for individual counter parties can change at any time. The Director of Finance is responsible for applying the stated credit rating criteria in the Treasury Management Strategy for selecting approved counter parties, and will add or delete counter parties as appropriate to/from the approved counter party list when there is a change in the credit ratings of individual counter parties or in banking structures e.g. on mergers or takeovers.

The Director of Finance will also adjust lending limits and periods when there is a change in the credit ratings of individual counter parties or in banking structures e.g. on mergers or takeovers in accordance with the criteria in 1.4.1.

1.5 REFINANCING

The Prudential Code requires that:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next three financial years”.

To that end the Authority will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

Other Considerations;

- A maturity profile should be prepared and maintained covering all the authority's long-term borrowings.

- All refinancing of loans should be at the discretion of the Director of Finance.
- Any premature repayment or refinancing of existing loans may have a premium attached, which may have a revenue impact. Any such transactions will be at the discretion of the Director of Finance.

1.6 LEGAL AND REGULATORY

1.6.1 References to relevant statutes and regulations

The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Authority.

1.6.2 Procedures for evidencing the organisation's powers/authorities to counter parties

The Council will prepare, adopt, and maintain, as the cornerstone for effective treasury management:-

- a) A Treasury Management Strategy, stating the overriding principles and objectives of its treasury management activities; and
- b) The Annual Investment Strategy.

1.6.3 Required information from counter parties concerning their powers/authorities

The authority will contract with 3rd parties who are approved institutions under the Local Government and Housing Act 1989.

Approved brokers will need to be regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

1.6.4 Statement on the organisation's political legislative or regulatory risks

The Authority recognises that future political, legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the authority.

1.7 FRAUD, ERROR AND CORRUPTION

1.7.1 Details of systems and procedures to be followed

The processes involved in the treasury management functions should be clearly documented as set out in *TMP3 Decision making and analysis* and in *TMP 5 Organisation, clarity and segregation of responsibilities and dealing arrangements*.

1.7.2 Emergency and contingency planning arrangements

The authority will follow the manual system to place funds in the event of an electronic system failure.

1.7.3 Insurance cover details

The officers concerned in the treasury management function are covered by appropriate fidelity guarantee insurance.

1.7.4 List of authorised officers

The treasury manager shall maintain a list of officers authorised to deal on behalf of Tees Valley Combined Authority in respect of investing short-term cash balances.

1.7.5 Chaps transactions

The purchasing, payments and income manager shall authorise officers to have access to the Nat West Web Banking System and shall determine which functions each officer can carry out. Only those officers so authorised can transmit money via the Chaps system, using unique passwords.

1.8 MARKET RISK MANAGEMENT

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sum it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

In evaluating treasury management options, the average interest rate for both borrowing and investments is considered.

2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT CONTRACTS

2.2.1 Banking services

Banking services will be retendered or renegotiated every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.2 Money-broking services

- The Authority will use money-broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

2.2.3 Consultants'/advisers' services

- The Authority's policy is to use the advice provided by appointed full-time professional treasury management consultants, to the authority.
- Consultancy services are retendered or renegotiated every 3 years.

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES

Benchmarking tests are detailed below are used in the performance evaluation.

2.4 BENCHMARK AND CALCULATION METHODOLOGY

Performance measured against Annual Treasury Management Strategy targets.

2.4.1 Debt management

Average rate on all external debt
Average maturity of external debt

2.4.2 Investment

The performance of in house investment earnings will be measured against 7 day LIBID, (London Inter-Bank Bid Rate)

TMP3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING AND NEW INSTRUMENTS/TECHNIQUES

3.1.1 Records to be kept

The following records will be kept and maintained for audit scrutiny:

- a) Third party confirmation and brokers confirmation of deposits and borrowings.
- b) Copy of electronic submission of payments, manually signed as checked for accuracy and authorised.
- c) Cash flow transaction records
- d) Borrowing Analysis
- e) Year-end reconciliation of all borrowing and lending.

3.1.2 Processes to be pursued

- a) Cash flow analysis.
- b) Maturity analysis.
- c) Ledger reconciliations
- d) Review of borrowing requirement.
- e) Comparison with prudential indicators.
- f) Monitoring of projected loan charges and interest and expenses costs.
- g) Review of opportunities for debt rescheduling.

3.1.3 Issues to be addressed

3.1.3.1 *In respect of every decision made the organisation will:*

- a) Above all be clear about the nature and extent of the risks to which the organisation may become exposed.
- b) Be certain about the legality of the decision reached and the nature of the transaction and that all authorities to proceed have been obtained.
- c) Be content that the documentation is adequate both to deliver the organisation's objectives and protect the organisation's interests and to deliver good housekeeping.
- d) Ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded.
- e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.1.3.2 *In respect of borrowing and other funding decisions, the organisation will:*

- a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.

- b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- d) Consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets.

In respect of investment decisions, the organisation will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the organisation's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing;
- the use of external fund managers;
- managing the underlying exchange rate risk associated with the organisation's business activities.

4.2 APPROVED INSTRUMENTS FOR INVESTMENT

Instruments approved under The Local Authority (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the most commonly used being:

- Deposits with banks and building Societies or local authorities up to 365 days
- Non-specified deposits with banks and building societies or local authorities.
- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Provides (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

4.3 APPROVED METHODS AND SOURCES OR RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act 1989, and within this limit the council has a number of approved methods and sources of raising capital finance.

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Director of Finance.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Finance has

delegated powers through this policy and the strategy to take the most appropriate form of borrowing from the approved sources.

4.4 INVESTMENTS THAT ARE NOT PART OF THE TREASURY MANAGEMENT ACTIVITY

Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions.

The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Authority will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

INDEX OF SCHEDULES

- 5.1 Limits to responsibilities/discretion at committee/executive levels**
- 5.2 Principles and practices concerning segregation of duties**
- 5.3 Treasury management organisation chart**
- 5.4 Statement of duties/responsibilities of each treasury post**
- 5.5 Absence cover arrangements**
- 5.6 Dealing limits**
- 5.7 List of approved brokers**
- 5.8 Policy on brokers' services**
- 5.9 Policy on taping of conversations**
- 5.10 Direct dealing practices**
- 5.11 Settlement transmission procedures**
- 5.12 Documentation requirements**
- 5.13 Arrangements concerning the management of third-party funds**

5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

5.1.1 Delegation of Powers

- a) Board
 - The limits required by Housing & Finance Act 1989
 - Approval of Treasury Management Policy Statement
 - Approval of Treasury Management Strategy
 - Approval of Annual and Mid Term Reports
- b) Stockton Council
 - Stockton Council (SBC) is authorised under delegated powers to undertake Treasury Management Functions on behalf of Tees Valley Combined Authority.
 - Segregation of duties detailed below are as per SBC processes

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The Director of Finance will ensure there is always adequate segregation of duties in all transactions, with a minimum of 2 officers required to make payments and appropriate senior officers to release payments.

5.3 TREASURY MANAGEMENT ORGANISATION CHART

Director of Finance (TVCA)

Senior Finance Managers

Finance Manager - Corporate / Senior Accountant - Corporate
(Deputy)

Senior Finance Technicians

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1 Director of Finance

1. Director of Finance:
 - a) Recommend clauses, treasury management policy/practices for approval, reviewing the same regularly and monitor compliance
 - b) Submit reports as and when required by the Board
 - c) Authorise and maintain TMPs and Schedules
 - d) Set submit and monitor budgets
 - e) Review the performance of the treasury management function and promote best value reviews

- f) Ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function
 - g) Ensure the adequacy of internal audit and liaise with external audit
 - h) Recommend the appointment of external service providers where appropriate.
 - i) Approve and authorise investment deals (within dealing limits – see 5.6)
 - j) Determine and approve short term borrowing up to a period of 6 months and to a limit of £5m
2. The Director of Finance has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.
 3. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Finance to be satisfied, by reference to Legal and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations.
 4. Director of Finance may delegate power to borrow and invest to members of staff to conduct all dealing transactions. All transactions must be authorised by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Senior Finance Managers (SBC).

1. Approve and authorise investment deals (within dealing limits – see 5.6)
2. Release Chaps payments

5.4.3 Finance Manager - Corporate / Senior Accountant - Corporate (Deputy)

The treasury responsibilities of this post will be:-

- To assist Director of Finance in the formation of the Treasury Strategy.
- Identify and recommend opportunities for improved practices
- Supervise Treasury Management staff
- Monitor performance
- Review the performance of treasury management functions and promote best value reviews
- Implement Treasury Management Strategy
- Approve and authorise investment deals (within dealing limits – see 5.6)
- Release CHAPS payments
- Check interest calculations
- Arrange rescheduling or premature repayment of existing borrowings.

5.4.4 Senior Finance Technician (SBC)

Responsibilities:-

- Calculate daily cash balances
- Enter transmission of monies via Nat West Web Banking system
- Select Brokers from approved list
- Adhere to agreed policies and practices on a day to day basis
- Submit management information reports
- Maintain cash flow projections
- Third party loan confirmation
- Ensure counter party limits are not exceeded
- Ensure there is a clear segregation between officers for negotiating/ approving and closing deals.

5.5 ABSENCE COVER ARRANGEMENTS

The authority will ensure that there is adequate cover for all absences.

5.6 DEALING LIMITS

Dealings can be carried out providing that transactions are within limits determined by the Authority and the Director OF Finance as detailed in the table below;

Investment Dealing Limits	
Director of Finance (TVCA)	As per limits set within the treasury management strategy
Senior Finance Mangers (SBC)	Monetary Limits set within TMS / 365 days and under investment horizon
Finance Manager - Corporate / Senior Accountant - Corporate (Deputy)	Up to £5m / 6 months and under investment horizon.

5.7 LIST OF APPROVED BROKERS/ONLINE BROKER

Prebon Brokers (UK) plc
BGC International Brokers Ltd
ICAP Brokers Ltd
Tradition Brokers
Martin Brokers
I Deal Trade (Arlingclose Trading Platform)

5.8 POLICY ON BROKERS' SERVICES

The authority will use brokers for its temporary transactions. The Treasury Manager will evaluate the services provided by Brokers.

5.9 POLICY ON TAPING OF CONVERSATIONS

The authority will not tape telephone conversations

5.10 DIRECT DEALING PRACTICES

All deals are carried out with brokers / I trade Platform with the exception of Bank of England and Nat West overnight deposit account.

5.11 SETTLEMENT TRANSMISSION PROCEDURES

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Nat West Web Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and card operated pin number. A manual back up facility will be in place to cover system failure.

5.12 DOCUMENTATION REQUIREMENTS

Cash Dealing sheet
Cashflow summary
Loan Record
Dealing sheet
Brokers confirmation
Counter party confirmation
Invoice signed/coded to budget
Nat West Bankline confirmation sheet

5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

The authority does not manage funds on behalf of any third parties.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted to the Board before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates.
3. The Treasury Management Strategy is concerned with the following elements:
 - the prospects for interest rates;
 - the limits placed by The Authority on treasury activities
 - the expected borrowing strategy;
 - the expected temporary investment strategy;
 - the expectations for debt rescheduling;
 - any extraordinary treasury issue.
4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.2 POLICY ON INTEREST RATE EXPOSURE

1. As required by section 45 of The Local Government and Housing Act 1989, the council must approve before the beginning of each financial year the following treasury limits:
 - The overall borrowing limit
 - The amount of the overall borrowing limit which may be outstanding by way of short-term borrowing
 - The maximum proportion of interest on borrowing, which is subject to variable rate interest.
2. The Corporate Director of Resources is responsible for incorporating these limits into the annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Corporate Director of Resources shall submit the changes to Cabinet for recommendation to Council.

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be completed after the end of the financial year. This report will include the following:-

- a) details of the previous year's treasury management activities
- b) the outcome against agreed measures of performance
- c) report on compliance with CIPFA code
- d) explanation of future actions.

6.4 MANAGEMENT INFORMATION REPORTS

- a) A mid-year review of the strategy statement
- b) Any variations to the agreed Treasury Management policies and practices will be reported to the Cabinet at the earliest practicable meeting.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in England and Wales that is recognised by statute as representing proper accounting practices.

7.2 ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in England and Wales. The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to this organisation's treasury management activities.

7.3 AUDIT ARRANGEMENTS

TVCA will ensure that its audits and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function.

TMP8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS, CONTENT AND FREQUENCY

The authority will monitor and complete daily cashflow forecasts for major items of income and expenditure. Additionally, a strategic cashflow forecast will be prepared annually and updated as necessary.

8.2 BANK STATEMENTS PROCEDURE

The authority will aim to monitor and reconcile the bank statements on a daily basis, with a monthly formal reconciliation completed and authorised by two officers.

8.3 PROCEDURES FOR BANKING OF FUNDS

All money received by an officer on behalf of the Authority will without unreasonable delay be paid into the Authority's bank account. Regular security collection rounds will bank all funds.

TMP9 MONEY LAUNDERING

9.1 PROCEDURES FOR ESTABLISHING IDENTITY/AUTHENTICITY OF LENDERS

The Authority will only accept loans from individuals, where the funds are transferred via another bank account, which is domiciled in the UK, either electronically, or through cheque. All other loans are obtained from the PWLB or from authorised institutions under the Banking Act 1987. The Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website on (www.fca.org.uk).

9.2 METHODOLOGY FOR IDENTIFYING SOURCES OF DEPOSIT

All deposits are reconciled and identified on a daily basis. The source of each deposit is investigated in order to credit the appropriate funds within the main accounting system.

TMP10 STAFF TRAINING AND QUALIFICATIONS

10.1 DETAILS OF APPROVED TRAINING COURSES

Staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

Training courses run by CIPFA and other training providers such as our Treasury Advisors will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff as part of their annual appraisal. The authority will take all reasonable steps to ensure that staff are adequately trained.

CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS AND ADVISERS

11.1.1 Banking services

- a) Name of supplier of service is Nat West. The branch address is High Street Stockton
- b) Contract commenced June 2015 and runs for a period of 5 years
- c) Cost of service – a schedule of charges is agreed at the beginning of the contract

11.1.2 Money-broking services

Name of supplier of service:

- Prebon Brokers (UK) plc
- BGC International Brokers Ltd
- ICAP Brokers Ltd
- Tradition Brokers
- Martin Brokers
- I Deal Trade (Arlingclose Trading Platform)

11.1.3 Consultants'/advisers' services

The authority has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business. This contract commenced on the 1st January 2017 and will run for a period of 3 years with an option to extend for a further 2 years.

11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

See TMP2

TMP12 CORPORATE GOVERNANCE

12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

In furtherance of a robust corporate governance policy, the following documents are available for public inspections:

1. Treasury Management Strategy
2. Treasury Management Practices
3. Annual Treasury Management Report
4. Annual Statement of Accounts
5. Annual Budget

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AGENDA ITEM 14

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

28 MARCH 2018

**REPORT OF THE
FINANCE DIRECTOR**

ANNUAL AUDIT LETTER 16/17

SUMMARY

To present to members of the Cabinet, the Annual Audit Letter for 2016/17.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Cabinet note the contents of the annual audit letter.

DETAIL

1. The Public Sector Audit Appointments Limited appointed Mazars LLP as external auditors for Combined Authority. A formal stage in the annual audit process is the production of the "Annual Audit Letter". The Annual Audit Letter for 2016/17 has now been received and is attached as an Appendix to this report.
2. The Annual Audit Letter summarises the auditor's findings from the 2016/17 audit. In line with previous practice, a copy of the Annual Audit Letter will be sent to all Members of the Council. Mazars LLP are required to submit the Annual Audit Letter to Public Sector Audit Appointments Limited and it will appear on their website in due course.
3. Mazars LLP has issued an unqualified audit opinion on the Combined Authorities financial statements for 2016/17 and in their opinion they give a true and fair view of the financial position of Tees Valley Combined Authority as at 31 March 2017 and of its expenditure and income for the year then ended.
4. Mazars LLP has issued an unqualified value for money conclusion stating that it is satisfied that "the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources".

5. Mazars LLP are required to report on the “Whole of Government Accounts” return completed by the Council. Their report states that the return “was consistent with the audited financial statements”.
6. The Code of Audit Practice requires Mazars to consider whether information published alongside the financial statements is consistent with those statements and their knowledge and understanding of the Council. In their opinion, the information in the Narrative Report is consistent with the audited financial statements
7. The report recognises the significant ambitions of the Combined Authority over the investment plan period whilst noting the challenges associated with the current environment in which the Combined Authority operates, specifically in relation to European Funding. It notes the Combined Authority recognises this risk and has plans in place to manage it where this is possible.

FINANCIAL IMPLICATIONS

8. None

LEGAL IMPLICATIONS

9. None

RISK ASSESSMENT

10. No risks were identified by Mazars LLP in the letter and identifies that the Combined Authority is complying with the CIPFA guidance on “Delivering Good Governance in Local Government; Framework 2016”

CONSULTATION

11. None

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Annual Audit Letter

Tees Valley Combined Authority



For the year ended 31 March 2017



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Executive summary

Purpose of this report

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Tees Valley Combined Authority ('the Authority') for the year ended 31 March 2017. Although this letter is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 ('the 2014 Act') and the Code of Audit Practice issued by the National Audit Office ('the NAO'). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of work	Summary
Financial statements opinion	<p>On 29 September 2017 we issued our opinion that:</p> <ul style="list-style-type: none"> the financial statements give a true and fair view of the Authority's financial position as at 31 March 2017 and of its financial performance for the year then ended.
Opinions on other matters	<p>On 29 September 2017 we issued our opinion that:</p> <ul style="list-style-type: none"> the Narrative Report published with the financial statements, is consistent with those financial statements.
Value for Money conclusion	<p>On 29 September 2017 we issued our conclusion that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</p>
Whole of Government Accounts	<p>We reported to the NAO, in line with their instructions, on 29 September 2017.</p>
Matters that we report by exception	<p>We have not identified any matters to report in relation to:</p> <ul style="list-style-type: none"> whether the Annual Governance Statement is in line with our understanding of the Authority and the requirements of the Delivering Good Governance in Local Government Framework 2016; reports in the public interest or written recommendations made under s24 of the 2014 Act; exercise of other audit powers under the 2014 Act.

As we have discharged all of our responsibilities under the 2014 Act for the 2016/17 audit, we certified the closure of the audit on 29 September 2017.

Audit of the financial statements

Financial statements opinion

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the relevant financial reporting framework and whether they give a true and fair view of the Authority's financial position as at 31 March 2017 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing for the UK and Ireland (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit and Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2017:

Financial statement materiality	£668,000
Specific materiality	We have applied a lower level of materiality to the following items of account: <ul style="list-style-type: none">• Senior officer remuneration• Related Party Transactions
Trivial threshold	£20,000

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Authority's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates affecting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work provided the assurance we sought.</p>
<p>Recognition of grant income</p> <p>Grant income received by the Authority from Government and other grant paying bodies often includes specific conditions that must be met before the Authority should recognise the income in its accounts. Because of the nature of grant income with conditions, there is a risk that the Authority recognises grant income in the incorrect reporting year.</p>	<p>We performed specific procedures to provide assurance that grant income is included in the correct year.</p>	<p>Our work provided the assurance we sought.</p>

Valuation of the defined benefit pension scheme and pensions estimates (IAS19)

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

We identified any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally commissioned by the NAO.

Our work provided the assurance we sought.

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. Our 2016/17 audit did not identify any significant deficiencies to report.

Value for Money (VFM) conclusion

Value for Money conclusion	Unqualified
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Summary of our work

We are required to form a conclusion as to whether the Authority made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

The following table provides commentary of our findings in respect of each of the sub-criteria and an indication as to whether proper arrangements are in place.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p><i>Acting in the public interest, through demonstrating and applying the principles and values of sound governance</i></p> <ul style="list-style-type: none"> • Constitution in place which is available on the Authority's website, updated February 2017 to reflect move to an elected Mayor. • Constitution includes financial regulations and Assurance Framework, Delegation to officers and Code of Conduct. • Devolution deal also available on the Authority's website. • Authority has a Strategic Economic Plan (SEP) plan in place for the period 2016 to 2026 available on the Authority's website (updated December 2016). • New Authority therefore new management team in place in 2016 including Managing Director (MD) and three other directors. <p><i>Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management</i></p> <ul style="list-style-type: none"> • No data quality issues in respect of performance information we are aware of. 	Yes

	<ul style="list-style-type: none"> • Audit and Governance Committee met only once in the year in March 2017, but has undertaken its work programme for the year with a backward look, and agreed a forward work programme. • Medium term planning is undertaken and plans are in place; current MTFP covers the period 2017/18 to 2020/21, and is updated at least annually. Initial budget and Medium Term Financial Plan (MTFP) was set at the start of the year and this went to the April 2016 Board. • Update on the financial position, proposed 2017/18 budget and updated MTFP presented to the Board in January 2017. • Separate Investment Plan in place – approved by the Board in March, details funding available and how planning to deliver the SEP. <p><i>Reliable and timely financial reporting that supports the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • Periodic reporting to members in the year, at start of the year and January 2017 (also considered by the Overview & Scrutiny Committee). • Authority plans, strategies and MTFP are all on the Authority's website. Includes section on future plans/developments and the role of the Combined Authority. • MTFP is updated as part of the current year's budget setting process. <p><i>Managing risks effectively and maintaining a sound system of internal control</i></p> <ul style="list-style-type: none"> • Management assurance framework; May 2016 and updated August 2016 Risk register in place for individual Local Growth Fund Programme cost which is maintained by the Managing Director and the Chief Financial Officer. • Devolution deal implementation Plan incorporates high level risks. • Detailed presentation on risk management arrangements and key risks to March 2017 Audit and Governance Committee. • Programme of Internal Audit work at the Authority, delivered by Stockton BC's IA function (under delegated arrangements). • Arrangements to produce 2016/17 Annual Governance Statement in place, and separate internal audit opinion prepared for the Authority. 	
Sustainable resource deployment	<p><i>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</i></p> <ul style="list-style-type: none"> • First year of the Authority, there are however no significant gaps in funding in the MTFP. MTFP updated January 2017. • Nature of the Authority's funding and expenditure (i.e. largely grant income which is then paid out to approved schemes linked to the SEP) does not indicate any significant risk to achievement of strategic priorities in the short term. 	Yes

	<p><i>Managing and utilising assets effectively to support the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • Authority does not have any significant assets of its own and no items meet the capitalisation threshold and hence no Property, Plant and Equipment, and as such does not have an 'asset register', but does maintain a list of equipment, IT etc. • Significant element of the Authorities funding is being used to deliver capital projects. These assets are however not held by the Authority • SEP identifies future large scale capital schemes/priorities. <p><i>Planning, organising and developing the workforce effectively to deliver strategic priorities</i></p> <ul style="list-style-type: none"> • HR and payroll functions provided by Stockton BC and Authority relies on HR policies and procedures shared with the BC. A capacity review was undertaken by the MD in 2016, and the Authority is continuing to review capacity as its responsibilities continue to develop. 	
Working with partners and other third parties	<p><i>Working with third parties effectively to deliver strategic priorities</i></p> <ul style="list-style-type: none"> • Nature of the Authority is such that in order to deliver its strategic priorities it is required to work closely with the 5 LAs on Teesside and other public and private organisations. • Authority structure includes the Teesside LEP (transferred from Stockton BC as at 01/04/2016) – Tees valley Unlimited. The LEP continues to have a separate Board and members of the LEP are none voting members of the Authority (other than the Chair who is a voting member). • LEP members are drawn from a wide range of other public bodies (i.e. education) and private companies. • SEP and website identify organisations that the Authority is working with in order to achieve its strategic priorities – i.e. Tess Valley Strategic Transport Plan – Connecting the Tees Valley. <p><i>Commissioning services effectively to support the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • Overall aim of the Authority and the Tees Valley Local Enterprise Partnership is to maximise the amount of investment in Tees Valley, to achieve economic growth and to create more jobs and success for the area. How the Authority plans to deliver this is set out on its website and in its SEP. • This is in the short term being delivered through provision of grants to other external bodies (i.e. Local Authorities, Education establishments, and local business) rather than through direct commissioning of its own services. <p><i>Procuring supplies and services effectively to support the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • This has in part been delegated by the Authority to Stockton BC. • The Authority has written procedures for procuring products and services, which are within its Constitution (part 6). 	Yes

Significant Value for Money risks

As part of our continuous planning processes, we carry out work to identify whether or not a risk to our VFM conclusion exists. We did not identify any significant audit risks at the planning stage of our audit, and as such did not report any in our Audit Strategy Memorandum. We kept this under review throughout our audit and were satisfied that there were no significant audit risks apparent in respect of VFM.

Other reporting responsibilities

Exercise of statutory reporting powers	No matters to report
Annual Governance Statement	No matters to report
Whole of Government Accounts	Submission to NAO completed
Other information published alongside the financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Authority's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters which we report by exception

The 2014 Act provides us with specific reporting powers where matters come to our attention that require reporting to parties other than the Authority. We have the power to:

- report in the public interest; and
- make statutory recommendations to the Authority, which must be responded to publicly.

In addition we must respond to any objections or questions on items contained within the accounts raised by a local government elector. We did not receive any such objections or questions.

We are also required to report if, in our opinion, the Annual Governance Statement does not comply with the guidance issued by CIPFA in 'Delivering Good Governance in Local Government; Framework 2016' or is inconsistent with our knowledge and understanding of the Authority.

We did not exercise any of our reporting powers during our 2016/17 audit and had no matters to report to the Authority in relation to the Annual Governance Statement.

Reporting to the NAO in respect of Whole of Government Accounts

The NAO requires us to report to undertake specified work in line with their instructions. We did this and issued our return to them on 29 September 2017.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Authority. In our opinion, the information in the Narrative Report is consistent with the audited financial statements.

Our fees

Fees for work as the Authority's appointed auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit and Governance Committee in June 2017. Having completed our work for the 2016/17 financial year, we can confirm that our final fees are as follows:

Area of work	2016/17 proposed fee	2016/17 final fee
Code audit work	£30,000	£30,000
Other non-Code work	~	~

We confirm that these fees are in line with the scale fee set by Public Sector Audit Appointments Ltd.

We also confirm that we have not undertaken any non-audit services for the Authority in the year.

Future challenges

Financial outlook and operational challenges

The environment in which the Authority operates is challenging. The UK's planned exit from the European Union means that there is great uncertainty about large elements of income and this makes planning difficult in the medium to long term. The Authority recognises this risk and has plans in place to manage it where this is possible.

Despite this, the Authority has significant ambitions which also bring an element of risk. The Authority's Investment Plan is one of a suite of documents that set out what it hopes to achieve over the coming years, to 2021 and will require close monitoring.

In addition, a Mayoral development corporation has been established to concentrate on the regeneration of the former SSI steelworks site.

The Mayor, Members and management therefore have much to focus on in the coming year.

How we will work with the Authority

We will focus our 2017/18 audit on the risks that these challenges present to the Authority's financial statements and its ability to maintain proper arrangements for securing value for money. We will also share with the Authority relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

In terms of the technical challenges that the finance team face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. A key focus in the coming year will be working with officers to ensure a smooth process to an earlier accounts and audit timetable that will take effect in the 2017/18 financial year.

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Appendix 2 to this report is not for publication by virtue of paragraphs 1 and 2 of schedule 12A of the Local Government Act 1972

AGENDA ITEM 15

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

28 MARCH 2018

**REPORT OF THE
MANAGING DIRECTOR**

DELEGATED DECISION MAKING AND GOVERNANCE UPDATE

SUMMARY

This report sets out the process for delegated decisions of the Combined Authority for further consideration by members. It also provides an update on the recruitment process for the independent member of the Audit and Governance Committee, the appointment to Transport for the North's Scrutiny Committee and a new appointment to the Education, Employment and Skills Partnership Board.

*Information in **Appendix 2** is exempt from publication because of reference to appointments of named individuals. If the recommendations are approved, the information will be released publicly and the appendix declassified.*

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the current process in place for delegated decisions arrangements of the Combined Authority, and consider any changes that might be required;
- ii. Approve the appointment of independent members to the Audit & Governance Committee, as set out at appendix 2;
- iii. Approve a constitutional change to increase the number of independent (ie non-councillor) members of the Audit and Governance Committee from [2] to [3];
- iv. Approve the appointment of Cllr Nick Wallis as the member for Transport for the North's Scrutiny Committee and Cllr Kevin Cranney as the substitute member;
- v. Approve the appointment of Beth Farhat from the TUC to the EES Partnership Board.

DETAIL

Delegated Decisions

Project Commitment Delegated Decisions

1. Cabinet agreed at its meeting on 27th July 2017 to establish a mechanism for Project Commitment delegated decisions, which would allow for these decisions to be taken between scheduled Cabinet meetings. The objective of this arrangement is to ensure the Combined Authority can take urgent decisions, particularly to support specific projects, and respond in a timely manner to approve proposals which meet strict criteria. The delegation also reinforces the role of individual Cabinet Members in leading their portfolio area between formal Cabinet meetings.
2. It was agreed that this delegation would apply only if the following conditions were met:
 - Any commitment of funds have already been assigned by Cabinet for that purpose; for example through the specification of an overall programme within the Investment Plan;
 - The total sum involved is no more than £1 million;
 - The proposal reflects an established Combined Authority policy position, and does not raise novel or contentious issues which require debate with the full Cabinet. (In order to assure this, discussions would generally have taken place through the appropriate officer forum); and
 - The proposal is subject to the established Combined Authority assurance framework, as agreed with central government.
3. If these conditions are met, proposals are put jointly by officers to the Mayor and Cabinet Portfolio member. The Mayor or Portfolio Member can refuse the proposal if they consider that the criteria set out above are not met, can establish further consultation with Members or partners, or determine that a full Cabinet discussion is necessary before approval of the decision. Decisions are reported to Cabinet and the Overview and Scrutiny Committee as a standing agenda item at each scheduled meetings. Delegated decisions are in scope for the “call-in” power of the Scrutiny Committee on the same basis as non-delegated decisions. To ensure transparency a full list of all of the delegated decisions made to date is available to view on the Combined Authority website, and presented at Appendix 1 of this report.
4. In discussions about the 2017-18 Budget, it became clear that a majority of Members have concerns about the high financial limit of £1 million, and would instead propose a lower level. A proposal to this effect was made at the Budget meeting, but consensus could not be secured at that stage on an alternative proposition. Under the Combined Authority’s constitution, this matter is therefore brought back to Cabinet for further consideration, to determine whether a consensus can be established for an alternative limit.
5. It’s important to reinforce that, irrespective of the limit established for this delegation, the Mayor or Portfolio Members may ask that any individual delegated decision is remitted to Cabinet, if they feel that the delegated decision arrangement is not appropriate for the specific matter under discussion.

Development Fund Delegated Decisions

6. Separately, Cabinet has also established delegated responsibility for the Combined Authority’s Development Fund to the Managing Director, in consultation with the Tees Valley Mayor. The Development Fund provides support to develop major projects expected to come to Cabinet for a future decision, but where detailed work is required to develop the project up to a position where Cabinet can be properly

advised on whether it represents value for money. Many of the larger capital projects require investment to deliver a business case, for example to fund preparatory work or master planning a complex site. Projects where the Cabinet are asked to take a significant commercial risk may require funding for project appraisal, legal or financial advice. The Development Fund is also used to prepare bids to central government for major infrastructure projects. At the point where projects are approved by Cabinet, the Development Fund is reimbursed from the overall funds made available from the project; creating a recycling fund to support future priorities.

7. Decisions are reported to Cabinet and the Overview and Scrutiny Committee as a standing agenda item at each of their scheduled meetings, and to ensure transparency a full list of all of the delegated decisions made to date is available to view on the Combined Authority website.

Audit and Governance Committee

8. Following the resignation of Colin Fyfe, to take up the role of Chair of the STDC Audit Committee, the Combined Authority recently advertised for a replacement Independent Member for the Audit & Governance Committee. We received two applications for the post and met informally with both candidates. Both candidates were felt to be valuable additions to the Committee.
9. The Committee has had some issues over the last 12 months with achieving quorum for meetings. Of the four meetings held in the last financial year only one of these was quorate. In order to try to ensure quorum moving forward the Chair of the Committee is proposing that both interested Independent members be appointed.
10. Appointing both members would take the total number of Committee members to eight whilst allowing quorum to remain at 5. This would increase the likelihood of meetings being quorate whilst giving allowance for annual leave, illness etc.
11. Since the number of members of the Committee is set out in Combined Authority's constitution, Cabinet would need to agree unanimously for a constitution amendment to increase the membership of the Committee by one.

Transport for the North Scrutiny Committee

12. Transport for the North have recently asked for nominations from the Combined Authority to their Scrutiny Committee. Following discussions between the Tees Valley Mayor and Cllr Dixon as Portfolio Member for Transport, Cllr Nick Wallis, Darlington Borough Council has been nominated as the representative for this Committee. We have received one proposal for a substitute member: Cllr Kevin Cranney of Hartlepool Council.

Education, Employment & Skills Partnership Board

13. To reflect the significant role that trade unions play in supporting high quality employment opportunities, it has been proposed that Beth Farhat, TUC Northern Regional Secretary, is appointed to the Education, Employment and Skills Partnership Board.

FINANCIAL IMPLICATIONS

14. There are no financial implications in relation to this report.

LEGAL IMPLICATIONS

15. There are no legal implications in relation to this report.

RISK ASSESSMENT

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

CONSULTATION

17. The recruitment process for the Independent member of the Audit and Governance Committee was undertaken on an open basis via the Combined Authority's website.

Name of Contact Officer: Andrew Lewis

Post Title: Managing Director

Telephone Number: 01642 527091

Email Address: andrew.lewis@teesvalley-ca.gov.uk

Appendix 1

Delegated Decisions

Most decisions of the Combined Authority are made by Cabinet at their scheduled meetings. However there may be occasions where decisions are made under delegated authority.

Project Commitment Delegated Decisions

Cabinet agreed at its meeting on 27th July 2017 to establish a mechanism for delegated decisions, which could be taken between meetings.

It was agreed that this delegation would apply only if certain conditions were met:

1. Any commitment of funds have already been assigned by Cabinet for that purpose; for example through the specification of an overall programme within the Investment Plan;
2. The total sum involved is no more than £1 million;
3. The proposal reflects an established Combined Authority policy position, and does not raise novel or contentious issues which require debate with the full Cabinet. (In order to assure this, discussions would generally have taken place through the appropriate officer forum); and
4. The proposal is subject to the established Combined Authority assurance framework, as agreed with central government.

If these conditions are met, proposals are put jointly by officers to the Mayor and Cabinet Portfolio member. Either can refuse the proposal, or determine that a full Cabinet discussion is necessary. Decisions are reported to Cabinet and the Overview and Scrutiny Committee.

The below table lists all decisions made under delegated arrangements:

Decision	Amount	Date
Project Commitments*		
Port Clarence Logistics Contribution to access road on the site to assist with growth of all businesses and also dredging of the port to allow for deeper vessels.	£300,000	5.10.17
Darlington Borough Council (Morton Palms) Advance for car park at Morton Palms business park as part of Salters Lane/Ingenium Parc development to improve the overall area. This project was incorporated within the wider Salters Lane/Ingenium Parc project and therefore this decision was superseded by the Cabinet decision on 23 rd November 2017.	£300,000	24.10.17
Rail Heritage Quarter: Phase 1 Development of business case and accelerate delivery to help delivery phase 1.	£50,000	13.12.17

Hartlepool Borough Council (Innovation Skills Quarter) A loan to advance urgent actions as part of the overall Innovation and Skills Quarter project.	£300,000	13.12.17
Lupine Films Ltd Contribution to support the filming of a pilot TV series which promotes the Tees Valley and is a Tees Valley focused project.	£80,000	18.12.17
Centre of Excellence for Technical Training for the Creative Industries The previous Northern Lights Academy in Hartlepool will be rebranded to become a Centre of Excellence for technical Training for the Creative Industries, the core focus being the provision of technical education and learning pathways with specific emphasis on creative industries. Revenue and Capital Support to be provided to the project.	£655,660	18.12.17
TWI Materials Validation Centre Award of grant as an advance of the funding application for a new Materials Validation Centre on the TAMP site in Middlesbrough.	£500,000	21.12.17
Snow Centre Development work for detailed design.	£250,000	05.02.18

Development Fund Delegated Decisions

The Cabinet has also delegated responsibility for the Combined Authority's Development Fund to the Managing Director, in consultation with the Tees Valley Mayor.

The Development Fund provides support to develop major projects expected to come to Cabinet for a future decision, but where detailed work is required to develop the project up to a position where Cabinet can be properly advised on whether it represents value for money.

Many of the larger capital projects require investment to deliver a business case, for example to fund preparatory work or master planning a complex site. Projects where the Cabinet are asked to take a significant commercial risk may require funding for project appraisal, legal or financial advice. The Development Fund is also used to prepare bids to central government for major infrastructure projects.

At the point where projects are approved by Cabinet, the Development Fund is reimbursed from the overall funds made available from the project; creating a recycling fund to support future priorities.

Development Fund**		
MOBI 1 and 2 Funding for the development costs of MOBI 1 and 2. This will include the feasibility, detailed course design and business plan for the MOBI centre to be located at Teesside University in Middlesbrough and the development costs for MOBI's centre of Design, Innovation and Excellence	£350,000	27.03.17
Durham Tees Valley Airport Funding to commission financial and commercial advice on the development and ownership of DTVA.	£38,500	04.07.17
Industrial Units at Kirkleatham Business Park EZ Funding to complete the work to the development of 15 Commercial employment units at Kirkleatham Business Park, an EZ site in Redcar.	£30,000	21.06.17
Feethams Office Development Funding for construction of Grade A office accommodation in Darlington Town Centre.	£100,000	21.06.17
Energy Life Cycle Centre Funding for development of a life cycle centre focussed on renewable energy/oil and gas decommissioning. The centre will complement existing "energy/process centres" across the Tees Valley to form an Institute of Technology	£300,000	21.06.17
Faverdale Phase 1 Faverdale is a strategic employment site in Darlington. Funding to undertake a range of studies and ground investigations needed to inform feasibility, design and business case of the site.	£220,000	21.06.17
Darlington Station Funding to undertake detailed development of the business case, design and procurement strategy for the station works and wider project to improve the existing train station.	£300,000	21.06.17
River Tees Development Plan Funding to undertake a Tees Valley development plan to identify opportunities and plans for the River Tees as a key strategic asset in Tees Valley.	£130,000	21.06.17

Hartlepool Innovation & Skills Quarter – Phase 2 Funding to carry out a Strategic Property review and to develop the business case for phase 2 of the project.	£505,000	05.10.17
Redcar Railway Station Business Quarter Funding for a detailed feasibility study into the provision of the business quarter in Redcar and to secure option agreements for the acquisition of Redcar station and surrounding properties.	£100,000	05.10.17
Skippers Lane Industrial Estate Expansion Funding to carry out a detailed feasibility study into the upgrading of all infrastructure on the Eastern fringes of Skippers Lane Industrial estate and to develop the Business Case.	£100,000	05.10.17
Hartlepool Waterfront Funding to progress the Hartlepool waterfront masterplan proposal to bring planning consent and to engage in soft market testing of investor interest	£680,000	05.10.17
Kirkleatham Estate Project Funding to complete detailed development work for various aspects of the Kirkleatham Estate project	£415,000	05.10.17
Outline Business Case for a new crossing of the Tees, and for A66 improvements Funding to develop a WebTAG compliant Outline Business Case for a new crossing of the Tees, and for A66 improvements.	£131,000	20.10.17
Boho Next Generation Development funding to complete feasibility and design work.	£100,000	12.10.17
Teesside Advanced Manufacturing Park A £1.5 million grant was awarded to this project in the growth deal extension but has not yet been released. Changes to the project, site ownership and lead applicant have led to a request for further investment	£120,000	20.10.17
Durham Tees Valley Airport Funding to commission financial and commercial advice on the development and ownership of DTVA.	£461,500	31.10.17
South Tees Development Corporation	£750,000	01.11.17

Funding to carry out ground investigation work which will allow a full understanding of the value and potential costs/liabilities of acquiring the Tata land for development.		
Eaglescliffe Station Western Access Funding to complete the business case and detailed design costs.	£576,000	02.11.17
Tees Valley Combined Authority (Local Full Fibre Network Challenge) Development of the business case for the Local Full Fibre Network Challenge Fund.	£70,000	06.12.17
Jacobs - Masterplan for Marshalling Development Funding to carry out various master planning exercises to inform a development strategy for the site.	£190,000	01.03.18

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Appendix 2

Audit & Governance Committee	Jonathan Munby	Independent – Programme Leader Accounting and Finance, Teesside University
	Christopher White	Independent – Finance Director, Darlington Building Society

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Appendix 3

Transport for the North Scrutiny Committee	Cllr Nick Wallis (Member)	Darlington Borough Council (Labour)
	Cllr Kevin Cranney (Substitute Member)	Hartlepool Borough Council (Labour)
Education, Employment and Skills Partnership Board	Beth Farhat	TUC Northern Regional Secretary

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Agenda Item 17

FOR INFORMATION

Cabinet agreed at its meeting on 27th July 2017 to establish a mechanism for delegated decisions, which could be taken between meetings.

It was agreed that this delegation would apply only if certain conditions were met:

1. Any commitment of funds have already been assigned by Cabinet for that purpose; for example through the specification of an overall programme within the Investment Plan;
2. The total sum involved is no more than £1 million;
3. The proposal reflects an established Combined Authority policy position, and does not raise novel or contentious issues which require debate with the full Cabinet. (In order to assure this, discussions would generally have taken place through the appropriate officer forum); and
4. The proposal is subject to the established Combined Authority assurance framework, as agreed with central government.

If these conditions are met, proposals are put jointly by officers to the Mayor and Cabinet Portfolio member. Either can refuse the proposal, or determine that a full Cabinet discussion is necessary. Decisions are reported to Cabinet and the Overview and Scrutiny Committee.

Decisions made under these delegated arrangements since 5th February Cabinet are listed below:

Decision	Amount	Date
Project Commitments		
Snow Centre Development work for detailed design.	£250,000	05.02.18
Jacobs - Masterplan for Marshalling Development Funding to carry out various master planning exercises to inform a development strategy for the site.	£190,000	01.03.18