

Tees Valley Combined Authority Cabinet Agenda

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Date: Friday 15th March 2019, at 10.00am

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 Stephen Harker (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)

Mike Matthews (Member of Tees Valley Local Enterprise Partnership)

Mark South (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)

Siobhan McArdle (Member of Tees Valley Local Enterprise Partnership)

Annabel Turpin (Member of Tees Valley Local Enterprise Partnership)

Vikki Jackson-Smith (Member of Tees Valley Local Enterprise Partnership)

Brenda McLeish (Member of Tees Valley Local Enterprise Partnership)

AGENDA

1. Apologies for Absence

2. Declarations of Interest

Attached

3. Minutes

The minutes of the meetings held on the 24th January and 31st January 2019 for confirmation

4. Matters Arising

5. Tees Valley Mayor's Update

Attached

6. Investment Plan Delivery Report

Attached

7. CA Budget 2018/2019 Q3

Attached

8. Treasury Management Strategy 2019/20

Attached

9. Overview & Scrutiny Committee Diversity Study Report

Attached

10. Revised Assurance Framework

Attached

11. Any Other Business

12. Date and Time of Next Meeting:

Annual General Meeting - 31st May 2019 at 10am

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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Tees 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 constituent councils of the Combined Authority are closely integrated with 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, or in which that council is a co-funder. 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.

TEES VALLEY COMBINED AUTHORITY CABINET

Jurys Inn, Middlesbrough at 10.00am on Thursday 24th January 2019

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 Stephen Harker	Leader, Darlington Borough Council
Councillor Sue Jeffrey	Leader, Redcar and Cleveland Borough Council
Paul Booth	Chair, Tees Valley LEP
<u>Associate Members</u>	
David Soley	Member of Tees Valley LEP
Darren Hankey	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
Angela Howey	Member of Tees Valley LEP
Mark South	Member of Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP
Vikki Jackson-Smith	Member of Tees Valley LEP
Brenda McLeish	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
Mike Matthews	Member of Tees Valley LEP
Annabel Turpin	Member of Tees Valley LEP
Nigel Perry	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
<u>Officers</u>	
Neil Schneider	Chief Executive, Stockton Borough Council
Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Paul Wildsmith	Managing Director, Darlington Borough Council
Amanda Skelton	Chief Executive, Redcar and Cleveland Borough Council
Gill Alexander	Chief Executive, Hartlepool Borough Council
Julie Gilhespie	Chief Executive, Tees Valley Combined Authority
Martin Waters	Head of Finance, Resources and Housing, Tees Valley Combined Authority
Linda Edworthy	Strategy Director, Tees Valley Combined Authority
Alison Fellows	Investment Director, Tees Valley Combined Authority

Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority

<p>TVCA 56/18</p>	<p>DECLARATION OF INTERESTS</p> <p>Councillor Sue Jeffrey, Councillor Christopher Akers-Belcher, Councillor Stephen Harker, Councillor Bob Cook and Mayor David Budd declared personal interests as their respective Local Authorities are shareholders of Durham Tees Valley Airport.</p> <p>Mayor Ben Houchen, Councillor Sue Jeffrey, Mayor David Budd, Paul Booth and Graham Robb declared personal interests as members of the South Tees Development Corporation Board.</p> <p>Paul Booth declared a pecuniary interest due to his involvement with the South Tees Development Corporation.</p> <p>Graham Robb declared a personal interest as Director of Recognition PR and Recognition Services Ltd.</p>
<p>TVCA 57/18</p>	<p>TEES VALLEY INVESTMENT PLAN 2019 - 2029</p> <p>The Tees Valley Mayor, Ben Houchen, opened the meeting by thanking members of the public for their attendance. He then described the Combined Authority, its powers, how the Cabinet works at the Combined Authority and all those around the Cabinet table introduced themselves.</p> <p>The Mayor noted that the Cabinet was considering the refreshed investment plan, which included the proposed acquisition of Durham Tees Valley Airport and land at the South Tees Development Corporation (STDC) site. He thanked Councillor Sue Jeffrey, Leader of Redcar and Cleveland Borough Council, and Amanda Skelton, Chief Executive of Redcar and Cleveland Borough Council for all of their work to date since the closure of SSI and the subsequent creation of the STDC. He explained that the approval of the investment plan required unanimous agreement by all voting members on the Cabinet.</p> <p>The Mayor invited comments from the Cabinet.</p> <p>Graham Robb, LEP Member, welcomed the investment plan and the opportunities it provided, and outlined the reasons he was supporting the plan. David Soley, LEP Member, also welcomed the investment plan, and described the challenge the LEP members had provided during its development. He also acknowledged the challenge and questions, that had been provided by the Leaders of the Local Authorities, as the right thing to do.</p> <p>The Mayor acknowledged the significant amount of work that the Cabinet had undertaken together over the past few months. He thanked all those on the STDC Board for their hard work but in particular Paul Booth, Councillor Sue Jeffrey and Mayor David Budd. He noted that we would be holding government's feet to the fire to provide support to assist with the clean-up and development of the site.</p>

Members of the public were given the opportunity to speak. In summary:

- There was support for the proposal to purchase the airport;
- Expansion plans for the airport and possible future routes was raised;
- Clarification on the current situation with agreeing a proposed operator was requested;
- Councillor Thomson, member of TVCA Overview and Scrutiny Committee, noted that the Committee had looked at the plans for the airport and would be further scrutinising the details as plans develop.

The Mayor thanked members of the public for their support. He outlined that TVCA would be working hard to bring in more flights, and regain a link to London, but that it was also very important to continue to work with KLM to retain the existing link to Schipol. Work on an agreement with an operator was ongoing and had been agreed by the operators own Executive Board, but a public announcement at this stage was not possible for various reasons.

Further comments from the Cabinet members were invited.

Councillor Christopher Akers-Belcher, Leader of Hartlepool Borough Council and TVCA Portfolio Holder for Education Employment and Skills, spoke in support of the Investment Plan and noted that he would be voting in favour of its approval. He drew attention to the proposed investments in education, employment and skills across Tees Valley as being the biggest investment TVCA will make in the next 10 years. He thanked the LEP and the wider business community for their support and hard work.

Mayor David Budd, Middlesbrough Council and TVCA Portfolio Holder for Culture, Tourism and Innovation, spoke of the huge opportunities in the Investment Plan but noted caution over guarantees with future funding, particularly European funding. He also spoke about the hard work that needs to take place to ensure delivery of the plan, including continuing to review the risks of major investments such as the airport, and that government has a moral obligation to provide funding for TVCA to buy land at the STDC site.

Councillor Stephen Harker, Leader of Darlington Borough Council and TVCA Portfolio Holder for Transport, spoke about the risks associated with the airport investment and the need to continually make judgements on levels of investment throughout development and delivery of the plan. He noted his support for a thriving airport. He also drew attention to other significant investments being made in the investment plan, in particular those on internal transport links, and how important this was for young people to be able to access jobs across Tees Valley without the need for a car.

Councillor Bob Cook, Leader of Stockton-on-Tees Borough Council and TVCA Portfolio Holder for Housing and Regeneration, noted his support for the airport proposal and acknowledged the associated risks, but also acknowledged the risks of not doing anything. He also spoke about the establishment of the TVCA and the importance of making investments locally rather than Westminster doing this for us,

Councillor Sue Jeffrey, Leader of Redcar and Cleveland Borough Council and TVCA Portfolio Holder for Investment and Business Growth, spoke about the investment plan and its role in changing the future of the Tees Valley and creating jobs for residents. She welcomed the proposal to purchase land at

STDC and create jobs and commented that she was proud that the plan included investment in education, employment and skills and how this was much needed across Tees Valley to retain children in the region in the future. Councillor Jeffrey acknowledged that she had been asking a lot of questions on the airport proposal over recent weeks, and that it was her role to provide challenge as an elected member to ensure proper scrutiny of such large investments. She noted her intention to do everything she can to ensure the airport is a success but would also continue to question and challenge.

The Cabinet voted unanimously to approve the Tees Valley Investment Plan 2019 – 2029.

RESOLVED that the ten-year Investment Plan 2019 – 2029, including the detailed approval of the purchase of the airport and the acquisition of the majority of developable land at the South Tees Development Corporation site, as detailed in Appendices 2 and 3, be approved.

TEES VALLEY COMBINED AUTHORITY CABINET

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 10.00am on
Thursday 31st January 2019**

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 Stephen Harker	Leader, Darlington Borough Council
Councillor Sue Jeffrey	Leader, Redcar and Cleveland Borough Council
<u>Associate Members</u>	
David Soley	Member of Tees Valley LEP
Darren Hankey	Member of Tees Valley LEP
Professor Paul Croney	Member of Tees Valley LEP
Angela Howey	Member of Tees Valley LEP
Alby Pattison	Member of Tees Valley LEP
Brenda McLeish	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
James Ramsbotham	Observer, on behalf of the Tees Valley Business Representative Bodies
<u>Apologies for Absence</u>	
Paul Booth	Chair, Tees Valley LEP
Vikki Jackson-Smith	Member of Tees Valley LEP
Mike Matthews	Member of Tees Valley LEP
Mark South	Member of Tees Valley LEP
Nigel Perry	Member of Tees Valley LEP
Annabel Turpin	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
<u>Officers</u>	
Richard McGuckin	Director of Economic Growth and Development, Stockton on Tees Borough Council
Gill Alexander	Chief Executive, Hartlepool Borough Council
Amanda Skelton	Chief Executive, Redcar and Cleveland Borough Council
Julie Gilhespie	Chief Executive, Tees Valley Combined Authority
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority
Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Martin Waters	Head of Finance, Resources and Housing, Tees Valley Combined Authority

TVCA 58/18	<p>DECLARATIONS OF INTEREST</p> <p>Professor Paul Croney, Teesside University, declared a personal interest as a partner in the Middlesbrough District Energy Scheme.</p>
TVCA 59/18	<p>MINUTES OF PREVIOUS MEETING</p> <p>Councillor Sue Jeffrey noted that the declarations of interest in the draft minutes from 30th November incorrectly referenced Cllr Chris Massey's name and that this should be corrected to reference Councillor Sue Jeffrey.</p> <p>Councillor Sue Jeffrey asked why the minutes from the special Cabinet on the 24th January had not been brought to the meeting for approval. It was confirmed that the decision record for the meeting had been published, as required, however the short timescales between the meetings had meant it was not possible to bring the draft minutes. They would be brought to the 15th March meeting.</p> <p>RESOLVED that the minutes of the meeting held on 30th November be corrected as set out above, confirmed and signed as a correct record.</p>
TVCA 60/18	<p>MATTERS ARISING</p> <p>The Mayor noted that the acquisition of land at the South Tees Development Corporation would be completed around the end of February and the acquisition of the airport would be the end of February/beginning of March.</p>
TVCA 61/18	<p>TEES VALLEY MAYOR'S UPDATE</p> <p>Cabinet considered the Mayor's update report.</p> <p>RESOLVED that the report be noted.</p>
TVCA 62/18	<p>TVCA COMMITTEE APPOINTMENTS</p> <p>Cabinet considered the appointments report.</p> <p>RESOLVED that Councillor Paddy Brown (Hartlepool) be appointed to the Overview and Scrutiny Committee.</p>
TVCA 63/18	<p>APPOINTMENT OF RETURNING OFFICERS 2020</p> <p>Cabinet considered the appointment of returning officers for 2020.</p> <p>RESOLVED that Julie Danks, the local returning officer of Stockton-On-Tees Borough Council, be appointed as the Combined Authority Returning Officer in relation to the Tees Valley Combined Authority Mayoral Election 2020.</p>
TVCA 64/18	<p>OVERVIEW AND SCRUTINY COMMITTEE BUDGET CONSULTATION REPORT</p> <p>Cabinet considered the report of the Overview and Scrutiny Committee in relation to the Combined Authority Budget 2019/20.</p>

	<p>Councillor Sue Jeffrey questioned whether the Overview and Scrutiny Committee had been given the opportunity to review the budget since the special Cabinet meeting on 24th January. The Head of Finance and Resources, Martin Waters, confirmed that this hadn't taken place due to the timescales.</p> <p>The Chief Executive, Julie Gilhespie, noted that the Overview and Scrutiny Committee's Budget Task and Finish Group meets regularly throughout the year, and there would be further opportunity to discuss the Combined Authority's budget at these meetings.</p> <p>Councillor Sue Jeffrey asked for confirmation that all procedures had been followed correctly. The Monitoring Officer, Andrew Nixon, confirmed that all procedures had been followed correctly.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. The process undertaken by the Overview and Scrutiny Committee Finance and Resources Sub-Committee to scrutinise the budget be noted; ii. The report of the Overview and Scrutiny Committee be noted.
<p>TVCA 65/18</p>	<p>BUDGET 2019-20 AND MEDIUM TERM FINANCIAL PLAN</p> <p>Cabinet considered the budget for the Combined Authority, following a period of consultation.</p> <p>Councillor Sue Jeffrey noted that the consultation responses had not been published alongside the papers. She also commented that there were several areas in the consultation responses that needed further consideration, such as the skills agenda. Julie Gilhespie apologised for the oversight and noted that responses would be published on the website as soon as possible.</p> <p>Mayor David Budd also raised the issue of replacement funding for the European funds and stressed the need for the Tees Valley to continue to lobby for replacement funds to be at the same levels.</p> <p>The Cabinet requested that a letter be sent to government stressing the need for the Tees Valley's share of the UK Shared Prosperity Fund to be equal to our current levels of EU funding.</p> <p>It was confirmed that the Treasury Management Strategy would be brought to the March cabinet meeting.</p> <p>Councillor Christopher Akers-Belcher stressed the need for an early decision on the Business Compass service to ensure no gap in provision.</p> <p>The operating Model for implementation of the Careers funding was reported to the cabinet.</p> <p>Julie Gilhespie noted that a number of workshops would be arranged with the cabinet to discuss the key themes in the investment plan and the most immediate priorities.</p> <p>Councillor Sue Jeffrey noted the rate of pay for apprentices within the pay policy statement, as Redcar and Cleveland Borough Council pay a minimum level of</p>

	<p>£5.00p/h. The Chief Executive, Julie Gilhespie agreed that the Combined Authority would review this.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. The budget 2019 – 20 be approved; ii. The pay policy statement be noted.
TVCA 66/18	<p>TREASURY MANAGEMENT STRATEGY MID-TERM REVIEW</p> <p>Cabinet considered the mid-term review of the treasury management strategy.</p> <p>RESOLVED that the report be noted.</p>
TVCA 67/18	<p>INVESTMENT PLAN DELIVERY REPORT</p> <p>Cabinet considered the investment plan delivery report.</p> <p>RESOLVED that the report be noted.</p>
TVCA 68/18	<p>TRANSPORT – LOCAL MAJOR SCHEME UPDATE</p> <p>Cabinet considered a report outlining an update on the Outline Business Cases for the New Tees Crossing and Darlington Northern Link Road and a proposed approach for continued development for the schemes.</p> <p>Councillor Stephen Harker noted the importance of starting to look at bus, cycling and walking schemes. Councilor Sue Jeffrey also commented on the need to bring forward public transport initiatives more quickly.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. progress in developing proposals for a New Tees Crossing (NTC) and the Darlington Northern Link Road (DNLN) be noted; ii. the additional £500,000 of funding recently confirmed from the DfT together with an additional £250,000 from uncommitted resources identified in the Combined Authority’s Investment Plan for Transport, be applied to complete Stage 2 of design development, leading to a Preferred Route Announcement of the NTC scheme in Summer/early Autumn 2019, for consideration for entry in to Highways England’s second Road Investment Strategy (RIS2); iii. formal public consultation be undertaken in March 2019 on the NTC scheme (as part of the Stage 2 work); and iv. the development of the DNLN proposals continues to ascertain value for money, before further decisions are taken once more information is available on the DfT’s Major Road Network (MRN) proposals, to keep proposals ready for investment the allocation of an additional £50,000 from uncommitted resources.
TVCA 69/18	<p>DATE OF NEXT MEETING</p> <p>Friday 15th March 2019.</p>

AGENDA ITEM 5**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****15th MARCH 2019****REPORT OF THE TEES VALLEY MAYOR****TEES VALLEY MAYOR'S UPDATE****SUMMARY**

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

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Cabinet notes the report.

DETAIL**RUGBY LEAGUE WORLD CUP 2021**

1. Tees Valley has been confirmed as one of the host venues for the Rugby League World Cup 2021.
2. Our area will host a significant match featuring a prestige team at Middlesbrough Football Club's Riverside Stadium, following a successful bid led by the Tees Valley.

ADULT EDUCATION BUDGET

3. The Mayoral Combined Authority has received confirmation that the funding allocation it will receive for academic year 2019/20 under the devolution of the Adult Education Budget will be £29.4m.
4. This allocation was based upon the delivery to Tees Valley residents in academic year 2017/18 and future annual allocations will be based on this market share.
5. The commissioning process for Adult Education Budget closed on 1st February. The appraisal process is well underway and on track within the agreed deadlines.
6. A full report will be presented to cabinet in May 2019 to approve final funding awards.

LOCAL INDUSTRIAL STRATEGY

7. Tees Valley has previously been announced as a Wave 2 area for the development of a Local Industrial Strategy (LIS). The strategy will be jointly agreed with Government and will focus on:
 - i. Local strengths and challenges
 - ii. Future opportunities
 - iii. The action needed to drive productivity.

8. The core principles underpinning the development of the LIS are:
 - i. It must be centred around a robust and open evidence base
 - ii. Setting a distinctive long-term vision
 - iii. Building on local strengths
 - iv. Making choices and assessing trade-offs
 - v. Clarifying specific actions and investments; address the foundations of productivity
 - vi. Inclusive growth
 - vii. Integrating evaluation.

9. A report was brought to Cabinet in September 2018 confirming the national requirements to develop a LIS, and the process for development in Tees Valley. A project plan has been developed, working towards finalising the LIS for local sign-off in May, with a view to this being agreed by Central Government in Autumn 2019.

ENJOY TEES VALLEY

10. A new Tees Valley mini-guide has been produced, detailing attractions and culture in the Tees Valley. Over 100,000 copies to be circulated in all hotel and attraction racks within a two-hour drive of the Tees Valley.

11. The Tees Valley City Games, which will take place in September 2019 were formally launched with Brendan Foster and local athlete Richard Kilty in February. Marketing is now taking place to attract runners from all over the country.

12. The Mayoral Combined Authority has also attended two major walking and cycling shows in Ghent with 15,000 attendees and Utrecht with 30,000 attendees, profiling the excellent walking and cycling routes in Tees Valley. The Dutch and Belgian markets offer great potential for building awareness and attracting visits to Tees Valley.

FINANCIAL IMPLICATIONS

13. There are no financial implications to this report.

LEGAL IMPLICATIONS

14. There are no legal implications to this report.

RISK ASSESSMENT

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

Name of Contact Officer: Chris Duggan

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AGENDA ITEM 6

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

15 MARCH 2019

**REPORT OF THE
INVESTMENT DIRECTOR**

PORTFOLIO: INVESTMENT & BUSINESS GROWTH

INVESTMENT PLAN DELIVERY REPORT

SUMMARY

This report sets out how we will report to Cabinet going forward on the delivery of the newly agreed Tees Valley Combined Authority Investment Plan 2019-29.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- Notes how it is proposed that progress against the Investment Plan will be reported to Cabinet in the next financial year.
- Notes that the Investment Plan Delivery Report for May Cabinet will include a summary of the end of year delivery and financial position achieved for 2018-19.

DETAIL

NEW TEN YEAR INVESTMENT PLAN

1. On 24th January 2019 Cabinet approved the Combined Authority's new Ten Year Investment Plan for the period 2019-29 (the "Investment Plan").
2. The Investment Plan sets out at a high level:-
 - a. the Combined Authority's agreed funding allocations against the key sectors set out in our Strategic Economic Plan ("SEP"); and
 - b. the programmes and priority projects agreed by Cabinet for funding and delivery for the next ten years, which will be developed subject to appraisal of their business cases in line with our agreed Assurance Framework.
3. The Investment Plan makes significant financial commitments and includes borrowing against its future revenues, so we can invest now to accelerate the delivery of our agreed priority programmes and projects.

4. Now the Investment Plan has been agreed we will change the focus of our regular Investment Plan Delivery Reports to Cabinet, so they better summarise and reflect progress with the delivery of the Investment Plan, both in delivery and financial terms.
5. The Investment Plan Delivery Report will therefore be combined with the budget report. This will report against our borrowing targets and will monitor our performance against the delivery of the Investment Plan overall, against each thematic area and reporting by exception (key highlights – progress and issues), on individual programme and project delivery.

TVCA INVESTMENT PLAN 2018-2019

6. The May Cabinet report will also include a summary of spend against the Government's 2018-19 annual LGF spend and output targets.

ASSURANCE FRAMEWORK

7. A separate report on the new Assurance Framework is coming to this Cabinet meeting.

FINANCIAL IMPLICATIONS

8. No other financial implications other than as set out in this Report.

LEGAL IMPLICATIONS

9. None at this time.

RISK ASSESSMENT

10. The main risk in respect of the Investment Plan is that the Combined Authority will not deliver its agreed target outputs and outcomes against the Plan and against the Strategic Economic Plan. A high level Investment Plan risk matrix will be produced for the May Cabinet report.

CONSULTATION & COMMUNICATION

11. The principles of this Report were discussed at Council Leadership Group on 22nd February 2019.
12. Tees Valley Management Group, the Mayor and Portfolio Holder were consulted on the investment commitments detailed in the table below to approve funding under a delegated decision.

INVESTMENT COMMITMENTS – DELEGATED DECISIONS

13. The table below sets out delegated decisions made during December 2018 and January 2019. Funding decisions have been signed off in accordance with agreed delegations.

Project	TVCA £	Summary	Assurance Framework
River Tees Eastern Crossing	£175,000	Development Funding to assess the feasibility of an Eastern Tees Crossing, which would be located east of the Tees Viaduct and unite industrial sites on the north and south bank of the Tees.	Development funding Approval: Delegated Decision
Premier Tennis League (Culture Programme)	£30,000	Funding support to run the National Premier League (NPL) competition Finals in the Tees Valley. The event attracts national presence and is an opportunity to raise the profile of the Tees Valley region.	Culture Programme – Business Case Assessment. Approval: Delegated Decision
Northern Film & Media (Culture Programme)	£106,000	Investment to support growth in the emerging cultural economy by raising Tees Valley's profile as a filming friendly location, encouraging production companies to the region, developing skills expertise, creative career opportunities for young people and opportunities for SMEs in film, TV and screen based art.	Culture Programme – Business Case Assessment. Approval: Delegated Decision

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AGENDA ITEM 7

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

15 MARCH 2019

REPORT OF HEAD OF FINANCE AND RESOURCES

BUDGET REPORT – QUARTER 3 (2018/19)

SUMMARY

The purpose of this report is to provide an update on the financial position of the Combined Authority for the period ending 31 December 2018 and present a revised Medium Term Financial Plan (MTFP).

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority:

- i. Note the quarter 3 financial position as at 31 December 2018; and
- ii. Note the revised Medium Term Financial Plan as at 31 December 2018.

DETAIL

Core Budget

1. The table below details the quarter 3 budget and actual spend for the core budget as at 31st December 2018.

	Qtr3 Budget	Actual @ Dec	Variance To Date
	£'000	£'000	£'000
Staffing Costs	2,961	2,714	(247)
Other Non Staffing Costs	775	861	86
TOTAL EXPENDITURE	3,736	3,615	(161)
Single Revenue Pot Contribution	0	(1,000)	(1,000)
Grants & Contributions	(519)	(500)	19
TOTAL FUNDING	(519)	(1,500)	(981)
NET EXPENDITURE	3,217	2,075	(1,142)

2. As at the end of December 2018 there is an underspend of £121k against budgeted expenditure. There has been an underspend against salaries of £247k as a result of posts being vacant during the period whilst recruitment processes have been ongoing towards to the approved staffing levels. Non staffing expenditure is currently overspent by £86k which includes a one-off backdated premises service charge, additional expenditure for the purchase of a secure file sharing facility and recruitment costs associated with the chief executive appointment.

3. The table below details the budget and projected outturn for the core budget as at the end of quarter 3. The position will continue to be monitored and reviewed during the remainder of the financial year.

	Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Staffing Costs	3,948	3,653	(295)
Other Non Staffing Costs	865	945	80
TOTAL EXPENDITURE	4,813	4,598	(215)
Single Revenue Pot Contribution	(3,180)	(2,965)	215
Grants & Contributions	(1,633)	(1,633)	0
TOTAL FUNDING	(4,813)	(4,598)	215
NET EXPENDITURE	(0)	0	0

4. The total projected underspend for 2018/19 is £215k. Salaries are projected to underspend by £215k during the year due to the phased implementation of recruitment towards the agreed staffing levels. This underspend is partly offset by additional non staffing costs of £80k for a one-off backdated premises service charge, additional expenditure for the purchase of a secure file sharing facility and recruitment costs associated with chief executive post.

Progress Against Medium Term Financial Plan 2018-2022 (MTFP)

5. Cabinet approved the MTFP at its meeting on 5 February 2018. As part of the agreed budget process it is required to report progress against the MTFP to Cabinet on a quarterly basis. Since the MTFP was set there have been a number of changes as a result of subsequent investment decisions and additional funding being secured.
6. In addition to the changes mentioned above there are also annual amendments relating to movement between years for previously approved expenditure and income to give the revised projected levels for each year.
7. The following sections outline amendments to the MTFP since the quarter 2 budget report and the revised plan is presented at Appendix A.

MTFP Income

8. The table below sets out the revised income position for the MTFP.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2 Report	82,835	117,801	120,252	111,164	432,052
Additional Income	0	0	0	0	0
Movement In Years	0	0	0	0	0
Revised	82,835	117,801	120,252	111,164	432,052

9. Since the quarter 2 report there have been no changes to projected income across the medium term.

MTFP Expenditure

10. The table below sets out the revised total approved expenditure for the MTFP.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 1	105,089	118,648	92,441	98,387	414,564
Additional Commitments	6,901	49	49	49	7,048
Movement In Years	-9,890	9,890	0	0	0
Revised	102,100	128,587	92,490	98,436	421,613

11. The revised projection for expenditure in 2018/19 is £102m and at the end of quarter 3 the spend against this forecast is £71.9m.
12. The following sections outline these MTFP changes by each of the SEP themes.

Business Growth

13. The table below sets out the revised expenditure position for Business Growth.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	8,643	23,800	6,884	5,417	44,744
Additional Commitments	1,625	0	0	0	1,625
Movement In Years	-2,333	2,333	0	0	0
Revised	7,935	26,133	6,884	5,417	46,369

14. At Cabinet in November a £1.625m grant was awarded to Fujifilm for the first phase of the biocampus that would see the construction of 4,000 square metres of high specification office space.
15. The revised projection for expenditure in 2018/19 is £7.9m and at the end of quarter 3 the reported spend against this forecast is £3.7m. It is expected that expenditure will accelerate during the remaining months as delivery on the Business Compass grant scheme increases and the construction of business accommodation at TAMP and Feethams progresses.
- 16.

Research, Development, Innovation & Energy

17. The table below sets out the revised expenditure position for Research, Development, Innovation & Energy.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	16,320	3,750	6,250	0	26,320
Additional Commitments	4,600	0	0	0	4,600
Movement In Years	0	0	0	0	0
Revised	20,920	3,750	6,250	0	30,920

18. Cabinet approved investment of £4.6m for Liberty Powder Metals Ltd to support a project focused on developing and manufacturing new speciality alloy metal powders for end users to use in net shape and additive manufacturing applications like 3D printing engine parts.
19. The revised projection for expenditure in 2018/19 is £20.9m and at the end of quarter 3 the reported spend against this forecast is £13.8m. Overall, expenditure projections are on track with the majority of expenditure related to the Teesside University National Horizons project which is progressing to plan.

Education, Employment & Skills

20. The table below sets out the revised expenditure position for Education, Employment & Skills.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	10,039	33,117	37,731	30,000	110,887
Additional Commitments	0	0	0	0	0
Movement In Years	0	0	0	0	0
Revised	10,039	33,117	37,731	30,000	110,887

21. The revised projection for spend in 2018/19 is £10m and at the end of quarter 3 the reported spend against this forecast is £6m. Spend in this theme has increased significantly in the last quarter and the accelerated delivery of the Routes to Work programme and commencement of delivery of the Skills strategy will see spend increase during the final quarter.

Culture and Tourism

22. The table below sets out the revised expenditure position for Culture & Tourism.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	2,900	1,272	340	245	4,757
Additional Commitments	0	0	0	0	0
Movement In Years	-797	797	0	0	0
Revised	2,103	2,069	340	245	4,757

23. The revised projection for expenditure in 2018/19 is £2.1m and at the end of quarter 3 the reported spend against this forecast is £1.1m. Overall, expenditure is on track with expected increases through the delivery of the Great Places programme, destination marketing and Museum of the Royal Navy Project

Transport

24. The table below sets out the revised expenditure position for Transport.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	29,565	26,450	18,943	40,943	115,901
Additional Commitments	0	0	0	0	0
Movement In Years	-5,000	5,000	0	0	0
Revised	24,565	31,450	18,943	40,943	115,901

25. The revised projection for expenditure in 2018/19 is £24.6m and at the end of quarter 3 the reported spend against this forecast is £19m which is in line with projections.

Infrastructure

24. The table below sets out the revised expenditure position for Infrastructure.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	5,923	6,600	0	0	12,523
Additional Commitments	0	0	0	0	0
Movement In Years	-1,760	1,760	0	0	0
Revised	4,163	8,360	0	0	12,523

26. The revised projection for spend in 2018/19 is £4.2m and at the end of quarter 3 the reported spend against this forecast is £2.9m. This is largely on track with anticipated spend and the final quarter will see retention payments released on a couple of projects.

Development Fund

27. The table below sets out the revised expenditure position for the Development Fund.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	6,000	832	0	0	6,832
Additional Commitments	550	0	0	0	550
Movement In Years	0	0	0	0	0
Revised	6,550	832	0	0	7,382

28. Since the quarter 2 report £550k has been committed to continuing the development of the business cases for Tees Crossing and the Darlington Link Road for submission to DfT.

SSI Task Force Funds

29. Under the SSI task force projects there was £1.6m slippage from 2017/18 into 2018/19. This is as a result of agreement with BEIS to extend the projects and gives a revised spend of £5.7m over the MTFP.

Concessionary Fares

30. There has been an additional £196k built into the Concessionary Fares expenditure across the medium term as a result of revised agreement with the bus operators which is fully funded from additional income. This has resulted in revised expenditure of £67m over the period.

FINANCIAL IMPLICATIONS

31. This report gives an update on performance against the budget for the Combined Authority and presents an updated Medium Term Financial Plan.

LEGAL IMPLICATIONS

32. None

RISK ASSESSMENT

33. 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

34. None

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APPENDIX A

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Income					
Local Growth Fund	13,708	9,416	14,217	0	37,341
Devolution	15,000	15,000	15,000	15,000	60,000
Enterprise Zones	2,475	4,120	5,379	5,557	17,531
Local Transport Plan	13,943	13,943	13,943	13,943	55,772
Transforming Cities Fund	4,000	13,000	18,000	24,000	59,000
Loan Repayments & Investment Income	1,105	3,634	1,178	1,361	7,278
Local Enterprise Partnership Grant	500	500	500	500	2,000
Adult Education Budget	392	20,179	30,000	30,000	80,571
Education, Employment & Skills Specific Grant Schemes	2,282	2,489	1,232	0	6,003
Transport Specific Grant Schemes	4,636	6,101	0	0	10,737
Other Specific Grant Schemes	2,116	774	0	0	2,890
European Structural Investment Fund	4,542	6,843	0	0	11,385
ERDF Legacy	0	3,666	3,667	3,667	11,000
Concessionary Fares Income	16,706	16,706	16,706	16,706	66,824
Local Authority Contributions	250	250	250	250	1,000
Mayoral Capacity Funding	1,000	1,000	0	0	2,000
Other Income	180	180	180	180	720
TOTAL INCOME	82,835	117,801	120,252	111,164	432,052
Approved Commitments					
Business Growth	7,935	26,133	6,884	5,417	46,369
Research, Development, Innovation & Energy	20,920	3,750	6,250	0	30,920
Education, Employment & Skills	10,039	33,117	37,731	30,000	110,887
Culture	2,103	2,069	340	245	4,757
Transport	24,565	31,450	18,943	40,943	115,901
Infrastructure	4,163	8,360	0	0	12,523
Development & Evaluation	6,550	832	0	0	7,382
SSI Related Schemes (not allocated to investment plan themes)	4,472	1,227	0	0	5,699
Core Running Costs	4,598	4,894	4,987	5,076	19,555
Mayoral Election	0	0	600	0	600
Concessionary fares	16,755	16,755	16,755	16,755	67,020
TOTAL EXPENDITURE	102,100	128,587	92,490	98,436	421,613

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AGENDA ITEM 8**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****15 MARCH 2019****REPORT OF HEAD OF FINANCE AND RESOURCES****TREASURY MANAGEMENT STRATEGY 2019/20****SUMMARY**

This report presents the Authority's Treasury Management, Capital and Investment Strategies for the financial year 2019/20. The Capital Strategy incorporates within it the Minimum Revenue Provision Policy.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet approves the Treasury Management, Investment and Capital Strategies for 2019/20.

DETAIL

1. In December 2017 The Chartered Institute of Public Finance and Accountancy updated the Treasury Management Code of 2011. The Code was reviewed and updated following developments in the marketplace and the introduction of the Localism Act 2011 for English local authorities.
2. The code defines Treasury Management as the management of the organisations borrowing, investments and cash flows, banking, money market and its capital market transactions. The effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. This definition is intended to apply to all public service organisations in their use of capital and project financings, borrowings and all investments.
3. As a result of consultation in late 2017 the Ministry of Housing, Communities and Local Government updated the Statutory Guidance on Local Authority investments
4. The revised code and statutory guidance is to be implemented from 2019/20. To meet with the new requirements the following three strategies have been produced:-
 - i. Treasury Management Strategy (Appendix 1) - the management of the Authority's cash flows, borrowing, investments, and the associated risks.
 - ii. Capital Strategy (Appendix 2) - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to

the functions of the Authority. Including an overview of how associated risk is managed and the implications for future financial sustainability.

- iii. Investment Strategy (Appendix 3) – investments held by the Authority hat are not managed as part of normal treasury management processes.
5. The underpinning Treasury Management Practices adopted to implement the Treasury Management Strategies remain unchanged from those approved by Cabinet in March 2018.

FINANCIAL IMPLICATIONS.

- 6. None

LEGAL IMPLICATIONS

- 7. None

RISK ASSESSMENT

- 8. The Treasury Management Strategy is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

- 9. None.

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TREASURY MANAGEMENT STRATEGY 2019/20

1. Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. 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 financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management 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 the CIPFA Code.

Tees Valley Combined Authority are supported by professional advisors Arlingclose Limited in order to ensure that up to date market advice and information on the most appropriate investment / borrowing options are obtained.

Through a service level agreement Stockton Borough Council (SBC) provides the Combined Authority with a treasury management service. The CIPFA code requires that staff with responsibility for treasury management receive adequate training to carry out this role. SBC assess the requirements for training as part of the staff appraisal process and they regularly attend courses and seminars provided by Arlingclose and CIPFA.

2. Economic Context

Economic Background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report.

The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

Credit Outlook

The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest Rate Forecast

Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

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

3. Borrowing Strategy

In the Autumn Statement 2016, the government announced that it would give Mayoral Combined Authorities powers to borrow for their new functions subject to agreeing a borrowing cap with HM Treasury. This will align the combined authorities' financial powers with their new responsibilities, and give them the ability to invest in important priorities such as economic development and regeneration.

In November 2017 the borrowing cap was agreed between the Authority and Treasury (set out in the table below) and 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.

	2018-19	2019-20	2020-21
TVCA long-term external debt	£367,400,000	£571,100,000	£774,800,000

The Authority's chief objective when borrowing money will be 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.

The Authority's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of the 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.

By following the borrowing strategy, the Authority will be able to reduce net borrowing costs 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 sums at long-term fixed rates in future years 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 2019/20, 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.

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
- any other bank or building society authorised to operate in the UK
- any other UK public sector body

- UK public and private sector pension funds
- 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

Capital finance may be raised by the following methods that are not borrowing, but may be classed other debt liabilities:

- leasing
- 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.

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003.

The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable. The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other.

The Prudential Indicators which the Authority will follow and the minimum revenue provision statement are set out in the capital strategy report (Appendix 2)

4. Investment Strategy

The Authority currently holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 9 months, the Authority's investment balance has ranged between £82.5million and £137million. The new 10 year Combined Authority Investment Plan was approved in January 2019 setting out a forecasted expenditure profile over the period. The increased spending plans will reduce the previously held balances significantly and as such the invested funds will reduce to a minimal amount reserved for unforeseen circumstances during 2019/20.

The CIPFA Code requires 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.

If the UK enters into a recession in 2019/20, 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.

All of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, with other local authorities and money market funds. As a result of the anticipated increased expenditure in the coming year the Authority will continue with this approach, maximising interest returns through a managed cashflow process.

The Authority may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

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 and real estate investment trusts		£15m per fund			

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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 generally a lower risk of insolvency, although they are not zero risk. 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 £5,000,000 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 and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units 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.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

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 £25 million 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 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, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above 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.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £961k on 31st March 2019. The maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. 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.

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 and registered social landlords	£37,500,000
Unsecured investments with building societies	£15,000,000
Loans to unrated corporates	£15,000,000
Money Market Funds	£75,000,000
Real estate investment trusts	£37,500,000

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 investment plan and cash flow forecast.

5. Treasury Management Indicators

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

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£1m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. Based on the current level of investments held the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
One-year revenue impact of a 1% <u>rise</u> in interest rates	£241,912
One-year revenue impact of a 1% <u>fall</u> in interest rates	-£241,912

The impact of a change in interest rates is calculated on the investments will be replaced at current rates. A 1% rise in all interest rates would have a £242,000 benefit to the authority's revenue account.

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 borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

The upper limits have been set as wide as possible as this is necessary as the Authority currently has no debt portfolio and therefore setting the indicators more narrowly could be prohibitive. The limits will be reviewed and amended to be more meaningful if the authority takes out any borrowing.

Principal sums invested for periods longer than a year: 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:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£15m	£10m	£5m

6. Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

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.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 73 officer, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below and will be considered if circumstance significantly change.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Schedule 1 – Arlingclose Economic & Interest Rate Forecast December 2018

Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

CAPITAL STRATEGY 2019/20

1. Introduction

The capital strategy is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of the Authority's Strategic Economic Plan along with an overview of how associated risk is managed and the implications for future financial sustainability.

2. Capital Expenditure and Financing

Capital expenditure is where the Authority spends money on assets, such as land, property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets, this is predominantly the nature of the Authority's capital expenditure.

In January 2019 a new investment plan was approved by the Combined Authority Cabinet which set out the investment priorities for the next 10 years. This plan included a mixture of both capital and revenue investments which will contribute to successful delivery of the Authority's Strategic Economic Plan.

As part of the devolution deal Government gave a 30 year commitment to the Authority of £15 million devolved grant funding annually. This long term commitment from Government enables the Authority to borrow funds to unlock growth in the earlier years when it is critical to developing our economy.

The capital programme will be looked at on a holistic approach and required borrowing will be made against the gap on the whole programme not individual projects. The assurance process in place for all capital investments will ensure that each meets the requirements of the prudential code that they are prudent, affordable and sustainable.

In 2019/20, the Authority is planning capital expenditure of £133 million as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £'000

	2018/19	2019/20	2020/21	2021/22	2022/23
	Forecast	Budget	Budget	Budget	Budget
Capital Expenditure	60,681	133,007	77,710	77,493	75,143

Governance: Business cases are submitted to the Authority by the lead applicant for all capital projects and they are fully appraised and approved in line with the Combined Authority Assurance Framework approved by the Ministry of Housing Communities and Local Government (MHCLG). The assurance framework sets out how projects will be monitored through delivery and beyond completion to measure the economic impact of the investment.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £'000

	2018/19	2019/20	2020/21	2021/22	2022/23
	Forecast	Budget	Budget	Budget	Budget
Capital Grant Reserve	25,503	11,118	0	0	0
Capital Grants	35,178	44,383	46,476	38,257	31,439
Borrowing Required	0	77,506	31,234	39,236	43,704
Total	60,681	133,007	77,710	77,493	75,143

Where possible the Authority will utilise short term internal borrowing to reduce the overall requirement for external borrowing within a given year. 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. The below table sets out the estimated split between internal and external borrowing across the period:

Table 3: Borrowing estimate in £'000

	2018/19	2019/20	2020/21	2021/22	2022/23
	Forecast	Budget	Budget	Budget	Budget
Internal Borrowing	0	28,186	(8,766)	(9,413)	(5,536)
External Borrowing	0	49,320	39,999	48,649	49,239
Total Borrowing	0	77,506	31,234	77,493	75,143

Debt is only a temporary source of finance and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Planned MRP is as follows:

Table 4: Replacement of debt finance in £'000

	2018/19	2019/20	2020/21	2021/22	2022/23
	Forecast	Budget	Budget	Budget	Budget
Revenue Streams	0	0	1,500	2,800	4,500

Ministry of Housing Communities and Local Government (MHCLG) Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The recommended statement is attached at schedule 1 for approval.

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP, loan fund repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £'000

	2018/19	2019/20	2020/21	2021/22	2022/23
CFR	0	77,506	106,409	142,267	181,194

3. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. Using internal borrowing the revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing strategy: The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and therefore when borrowing the Authority will seek to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0% to 3.0%).

Projected levels of the Authority's total outstanding external debt are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £'000

	2018/19	2019/20	2020/21	2021/22	2022/23
	Forecast	Budget	Budget	Budget	Budget
Debt	0	49,320	87,819	133,668	178,407
CFR	0	77,506	106,409	142,267	181,194

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in table 6, the Authority expects to comply with this in the medium term.

Affordable borrowing limit: The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. As a Mayoral Combined Authority a borrowing cap was agreed with Treasury which cannot be exceeded, this cap is set out below alongside the limits.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £'000

	2018/19	2019/20	2020/21	2021/22	2022/23
HMT Borrowing Cap	367,400	571,100	774,800	774,800	774,800
Authorised Limit	100,000	81,381	111,729	149,380	190,254
Operational Boundary	75,000	77,506	106,409	142,267	181,194

Further details on borrowing are included in the Treasury Management Strategy included at Appendix 1.

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Authority's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

Further details on treasury investments are included in the Treasury Management Strategy included at Appendix 1.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 73 officer and finance staff, who must act in line with the treasury management strategy and treasury management practices approved by Cabinet. Mid-term and annual reports on treasury management activity are presented to the audit committee and cabinet.

4. Investments for Service Purposes

The Authority makes investments to assist in delivering the Strategic Economic Plan, including making loans to the special purpose vehicles, Local Authorities and local businesses.

Governance: Decisions on such investments have to adhere to the assurance framework and as such will follow the same assessment and decision making process as all Combined Authority investments into projects or programmes.

Further details on service investments are included within the Investment Strategy included at Appendix 3.

5. Liabilities

As set out in table 6 above the Authority currently holds no long term debt, however as at 31st March 2018 the Authority had a pension liability of £2.051m.

Governance: The risk of liabilities crystallising and requiring payment is monitored by the Finance team and reported appropriately.

6. Revenue Budget Implications

Within the 10 year investment plan it was agreed that in order to ensure successful delivery of the Strategic Economic Plan the Authority would borrow funds to unlock growth in the earlier years when it is critical to developing our economy. The increasing ratio of net financing costs to net revenue is driven by this nature of Investment Programme delivery whereby borrowing in the early part of the programme is supported by longer term revenues (namely devolved funding and enterprise zone income).

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount of revenue funding available for investment excluding specific grant schemes.

This ratio may appear to be large in comparison to a Local Authority but a Combined Authority does not require revenue streams to provide statutory services and as such all funding is available for investments into projects. The Section 73 officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19	2019/20	2020/21	2021/22	2022/23
Financing costs (£'000)	0	0	1,972	2,993	6,740
Proportion of revenue	0.0%	0.0%	9.6%	14.4%	31.9%

The 10 year Investment Plan sets out borrowing requirements to 2024/25. As a result net financing costs continue to increase after 2022/23, peaking at £12.9m in 2025/26 (61% as a proportion of revenue). At peak financing costs of £12.9m there is a balance of £8.2m per annum available revenue. This excludes available revenue and capital through specific grant funding.

7. Knowledge and Skills

The Authority has professionally qualified staff across a range of disciplines that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The skills available from internal resources allow the Authority to assess business cases for capital investment and external professional advice is taken where required.

Through a service level agreement Stockton Borough Council (SBC) provides the Combined Authority with the treasury management service. The CIPFA code requires that staff with responsibility for treasury management receive adequate training to carry out this role. SBC assess the requirements for training as part of the staff appraisal process and they regularly attend courses and seminars provided by Arlingclose and CIPFA.

Schedule 1 – Annual Minimum Revenue Provision Statement 2019/20

Where the Authority finances capital expenditure by debt, the Capital Financing Requirement (CFR), it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2012.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Grants, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- The nature of the Authority's capital expenditure is in the form of loans and grants towards capital expenditure by third parties. As the Authority's borrowing cannot be indirectly linked to an individual asset the number of years used for MRP calculations will be 25. The MRP will be determined by charging the expenditure over this period on an annuity method.

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until the following year.

INVESTMENT STRATEGY 2019/20

1. Introduction

The Authority invests its money for two broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments), and
- to assist in delivering the Strategic Economic Plan by lending to or buying shares in other organisations (investments)

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance on local government investments issued by the government in January 2018 (issued under section 15(1)(a) of the Local Government Act 2003), and focuses on the second of these categories.

2. Treasury Management Investments

The Authority typically receives its income in cash (predominantly in the form of Government grants) before it pays for its expenditure in cash. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

Further details: Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the Treasury Management Strategy, attached at Appendix 1.

3. Investments – Loans

The Authority can lend money to its subsidiaries, constituent Local Authorities and local businesses to support delivery of the Strategic Economic Plan and stimulate local economic growth. Loans are not issued by the Authority for purely financial return, they are provided if the proposal meets the priorities set out in the Investment Plan and related strategies.

Applications for financial support are received from various sources relating to a range of investments. As part of the assessment process a full financial, legal and commercial evaluation is carried out. This evaluation will assess and recommend the nature of the Authority's proposed investment into the project whether it be a grant or loan. Loans may be given in order to comply with state aid regulations, or alternatively it may be that the applicant has the ability to repay the support via increased revenues as a result of the investment.

Details of the loans provided as at 31 March 2018 are shown in table 1 below.

During the current financial year the Cabinet has approved a loan to Liberty Powder Metals Ltd to the value of £3.6m.

Security: The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to loans remains proportionate to the size of the Authority, statutory government guidance requires us to set upper limits on the outstanding loans to each category of borrower. It is recommended that the limits are set as follows;

Table 1: Loans in £'000

	31.3.2018 actual			2019/20
	Balance Owing £'000	Loss allowance £'000	Net Figure In Accounts £'000	Approved Limit £'000
Subsidiaries / JVs	0	0	0	90,000
Constituent Authorities	6,821	0	6,821	30,000
Local Businesses	34	0	34	40,000
TOTAL	6,855	0	6,855	160,000

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: In making loans the Authority is exposing itself to the risk that the borrower defaults on repayments. The Authority therefore ensures they are prudent and fully considers the risk implications, with regard to both the individual loan and that the cumulative exposure of the Authority is proportionate and prudent.

The Authority will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are approved in line with the constitution and approved policies. All loans will be subject to close, regular monitoring.

4. Proportionality

The Authority is not materially dependent on profit generating investment activity to achieve a balanced revenue budget. Table 3 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan.

Table 3: Proportionality of Investments

	2017/18	2018/19	2019/20
Revenue Expenditure £'000	48,408	38,077	89,905
Investment Returns £'000	462	420	844
Proportion	0.95%	1.10%	0.94%

5. Borrowing in Advance of Need

Government guidance is that Authority's must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority has not borrowed and has no plans to borrow in advance of need.

6. Capacity, Skills and Culture

Elected members and statutory officers: For all investment decisions the Authority follows the Assurance Framework agreed with Ministry of Housing Communities and Local Government (MHCLG). The Authority employs highly experienced portfolio leads covering each of the investment plan themes who are able to assess each investment decision based on their individual knowledge and experience. Due Diligence is carried out on all investments by internal and external resources depending on the type of investment. Internal resources available cover economic, legal and financial issues but external expertise is drawn on when required. Internal members of staff carry out regular professional development through training courses and conferences. The input from the above resources result in a comprehensive appraisal of all investments which is consulted on and provided to the Cabinet for a decision.

Commercial deals: Within the Authority there is significant experience in both Public and Private Sector deals. Where required external support is drafted in to assist in these deals.

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, honesty, integrity and accountability.

The Authority had adopted and has implemented the key recommendations of the CIPFA Prudential Code. This, together with the other arrangements such as the production of Treasury Management Practices and Treasury Management Strategy 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.

7. Investment Indicators

The Authority has set the following quantitative indicator to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 4: Total investment exposure in £'000

	31.03.18 Actual	31.03.19 Forecast	31.03.20 Forecast
Treasury Management Investments	91,000	59,900	1,000
Investment – Loans*	6,855	9,887	62,013
TOTAL INVESTMENTS	97,855	69,787	63,013
Commitments to Lend	0	0	0
TOTAL EXPOSURE	97,855	69,787	63,013

*As an economic regeneration body the Combined Authority provides grant funding as the last option. Where possible/appropriate the Authority will seek to provide support in the form of a loan with collateral secured where possible. The default risk is that the Authority will convert the loan to a grant.

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AGENDA ITEM 9**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****15 MARCH 2019****REPORT OF THE TEES VALLEY MAYOR****SCRUTINY STUDY: DIVERSITY IN THE TEES VALLEY COMBINED AUTHORITY
MEMBERSHIP****SUMMARY**

This report updates Cabinet on the progress of a Scrutiny Study requested by Cabinet into a perceived lack of diversity in gender, sexuality, disability and ethnicity in the membership of the Tees Valley Combined Authority Cabinet and Committee membership at its Annual General Meeting on 1st June 2018.

This study, including recommendations, is now complete but due to inqorate meetings it has not been possible for the Overview and Scrutiny Committee to formally approve it for submission to Cabinet within statutory timeframes.

RECOMMENDATION

Cabinet is asked to:

- i. Note the attached report “Genuinely representing the Tees Valley: Seizing the opportunity to write equality into the Constitution of the Tees Valley Combined Authority”.
- ii. Note the Overview & Scrutiny Committee’s intention to request that a formal response be received from Cabinet within two months of the final report’s presentation to Cabinet.

DETAIL

1. At its Annual General Meeting on 1st June 2018 members of the Tees Valley Combined Authority Cabinet requested that Overview & Scrutiny Committee carry out a study into a perceived lack of diversity in gender, sexuality, disability and ethnicity in the membership of the Tees Valley Combined Authority Cabinet and Committee membership. The Committee agreed to this request at its meeting of 7th June 2018.
2. This work has been conducted by a working group consisting of the Chair and Vice Chair of the Committee and Cllr Matthew Storey, supported by the Combined Authority Strategy Director and Governance & Scrutiny Officer.

3. At its meeting of July 19th 2018 the Committee agreed to a recommendation that a completed report containing recommendations be presented to Cabinet before the commencement of the pre-election period in March 2019.
4. Over the past year the working group has taken evidence from the Tees Valley Mayor, the Leaders and Mayor of its Constituent Authorities, the Chair and other members of the Local Enterprise Partnership, the Chief Executives and Managing Director of its Constituent Authorities, a survey completed by 78 local councillors and 7 individual members of the Local Enterprise Partnership and the Regional Secretary of the Trades Union Congress. The working group has also examined relevant academic research and studied best practice from other Combined and Local Authorities.
5. Key findings of the investigation include:
 - i. The observation of an overwhelming and unanimous desire for both the Tees Valley Combined Authority and the five Tees Valley Councils to have memberships which more closely represent the communities they serve – and a recognition that this is currently not being achieved.
 - ii. Evidence that although women make up an above average percentage of the total number of Tees Valley councillors, they appear not to be progressing into leadership roles and roles in which they regularly engage with the Combined Authority– with councillors surveyed citing a lack of confidence and a perceived lack of knowledge as key reasons for this.
 - iii. The suggestion of a lack of engagement with and understanding of the Tees Valley Combined Authority’s purpose and ambitions, which even extends to councillors.
6. The working group subsequently met to develop a list of recommendations aimed at tackling these issues, including:
 - i. A second Deputy Mayor of the Tees Valley, of a differing gender or protected characteristic group to the incumbent Mayor and with a specific responsibility for driving the diversity and equality agenda across the Tees Valley, should be created.
 - ii. Named substitutes should be introduced for the Overview and Scrutiny Committee, where practicable of a different gender or from a different protected characteristic group to the regular member.
 - iii. The Tees Valley councils should immediately begin recording and reporting the ethnicity, gender and sexuality of elected members in the same way as they already do with staff members.
 - iv. The Tees Valley Combined Authority should lobby government to extend the legal entitlement to time off work for public duties enjoyed by public role holders such as magistrates, to councillors carrying out activities relating to Combined Authorities, Local Authorities and Local Enterprise Partnerships and to conduct a review of financial disincentives preventing political engagement, in particular by currently under-represented groups.
 - v. The Tees Valley Combined Authority must comprehensively define the roles and responsibilities of portfolio positions and provide job descriptions to portfolio holders.

- vi. The Tees Valley Combined Authority should commission an independent audit of its premises to ensure accessibility, and seek to secure Disability Confident status at the earliest opportunity.
 - vii. Both the Tees Valley Combined Authority and its Constituent Authorities should consult with members on meeting times to ensure that they are as accessible as possible to all members.
 - viii. Both the Tees Valley Combined Authority and its Constituent Authorities should investigate potential use of technology to enable the remote attendance of meetings
 - ix. The Tees Valley Combined Authority should ensure that all Cabinet reports include a thorough and meaningful Equalities Impact assessment, and that this assessment is carried out only by suitably qualified staff.
 - x. The Tees Valley Combined Authority should consider how existing local authority-specific events showcasing the diversity of the Tees Valley – such as Pride and Mela- can be developed into region-wide events.
 - xi. TVCA should commit itself to the ambition of becoming the first Combined Authority to secure Diversity Champion status.
 - xii. Local Authority Leaders should publically commit to a gender balanced cabinet and committee system where practicable and acknowledge the risk of unconscious bias influencing the allocation of portfolios.
7. The draft report was scheduled to be tabled for approval by Full Committee at its meeting of March 1st 2019. As this meeting was not quorate it was not possible for the final report to be agreed.
8. Following unsuccessful attempts to arrange an additional quorate meeting on March 3rd 2019, the Tees Valley Mayor agreed to table the draft report for information at the Cabinet meeting of March 15th 2019, in order to allow members to consider its findings ahead of the Local Elections and Local Authority Annual Meetings.
9. It is intended that the report be re-presented for approval at the Overview and Scrutiny Committee's next scheduled meeting, Thursday April 25th 2019. If approval is granted the report will be tabled at the first Cabinet meeting following this approval.
10. Article 7 of the Constitution of the Tees Valley Combined Authority states that where the Overview & Scrutiny Committee makes a report or recommendations, the committee may:
- i. Publish the report or recommendations;
 - ii. By notice require the Combined Authority or the Mayor to consider the report or recommendations, respond to the committee indicating what (if any) action the Combined Authority proposes to take; and if the Committee has published the report or recommendations, to publish the response.
 - iii. The Combined Authority or Mayor is required to comply with the above "within two months beginning on the date on which the Combined Authority or the Mayor received the report or recommendations".
11. The Overview & Scrutiny Committee had planned to therefore asks the Tees Valley Combined Authority Cabinet to note its intention to request that a formal response

be received within two months of the final report's presentation at Cabinet, as per the requirements of the Constitution.

FINANCIAL IMPLICATIONS

12. Implementation of some of the recommendations would incur modest financial costs to the Combined Authority, subject to plans coming forward for formal approval.

LEGAL IMPLICATIONS

13. Article 7 of the Constitution of the Tees Valley Combined Authority states that where the Overview & Scrutiny Committee makes a report or recommendations, the committee may by notice require the Combined Authority or the Mayor to consider the report or recommendations, respond to the committee indicating what (if any) action the Combined Authority proposes to take; and if the Committee has published the report or recommendations, to publish the response.
14. The Combined Authority or Mayor is required to comply with the above "within two months beginning on the date on which the Combined Authority or the Mayor received the report or recommendations".

RISK ASSESSMENT

15. Not Applicable

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Genuinely representing the Tees Valley

Seizing the
opportunity to write
equality into the
Constitution of the
Tees Valley
Combined Authority

A Scrutiny Study Conducted by
the Tees Valley Combined
Authority Overview & Scrutiny
Committee – August 2018-
January 2019

1. Chair's Executive Summary

Women and minorities have historically been under-represented in public life. Whilst devolution deals offer a new way forward for public services, they have so far done nothing to make public bodies more representative of the communities they serve.

In June of 2018 the Cabinet of the Tees Valley Combined Authority requested that the Overview and Scrutiny Committee carry out an in-depth scrutiny study into the diversity of its membership, struck by how appointments to its statutory and non-statutory committees were extraordinarily male-dominated and undeniably unrepresentative of our region's population.

Over the past year a working group of three councillors, supported by two officers, has taken evidence from the Mayor of the Tees Valley, the Leaders and Mayor of its constituent authorities, the Chair of the Local Enterprise Partnership, the Chief Executives and Managing Director of its constituent authorities, a survey of 78 local councillors and 7 individual members of the Local Enterprise Partnership and the Regional Secretary of the Trades Union Congress. The working group has also examined relevant academic research and studied best practice from other Combined and Local Authorities.

Amid all this research, one particular quote stands out.

"This is overdue. This is an issue I have flagged up again and again. Just look at the pictures of the signing of the devolution deal... it's all grumpy old men! You still see that in meetings and you still see it too often. From Tees Valley Unlimited to the LEP to the Shadow Combined Authority we've never been representative of our communities and we need to be"

The key findings of this study are as follows:

- **There is an overwhelming and unanimous desire for both the Tees Valley Combined Authority and the five Tees Valley Councils to have memberships which more closely represent the communities they serve– but that at this moment this is not close to being achieved. In gender especially, the Authority and its constituent authorities remain significantly unrepresentative - and this will not be addressed without action.**
- **Although women make up an above average percentage of the total number of Tees Valley councillors, they appear not to be progressing into leadership roles – with councillors surveyed citing a lack of confidence and a perceived lack of knowledge.**

- **There exists a lack of engagement with and understanding of the Tees Valley Combined Authority’s purpose and ambitions within the region, which even extends to councillors.**

Paragraph 2.6 of the Constitution of the Tees Valley Combined Authority states that the Overview and Scrutiny Committee itself must make “specific efforts to engage with those groups who would otherwise be excluded”.

We have to acknowledge as a Committee that our membership is not achieving that goal, and it is debatable how well the Tees Valley Combined Authority as whole is currently delivering on it.

Whilst recognising that the ability of the Tees Valley Combined Authority to take unilateral action to address an unbalanced elected membership coming forward from its constituent councils is highly limited, its ability to show leadership in this area is unmatched.

The Combined Authority has already taken measures to improve diversity of its Associate Cabinet Membership level through aiming to achieve a 50/50 gender balance of the Local Enterprise Board by 2020 and proactively recruiting three new female members. But more needs to be done.

This report sets a number of practical and realistic recommendations – **including the creation of a second Deputy Mayor, additional to the existing Deputy Mayor, with a specific responsibility for driving the diversity and equality agenda across the Tees Valley** – which the committee believes represent a reasonable roadmap toward more representative politics in the region, which offers the Combined Authority an opportunity to cement its place as a role model for other mayoral and combined authorities, enhance its profile and reputation inside and outside of the Tees Valley and even to deliver more emphatically on its strategic aims.

Other recommendations include:

- **Named substitutes for the Overview and Scrutiny Committee should be introduced, where practicable of a different gender or from a different protected characteristic group to the regular member.**
- **Tees Valley councils should immediately begin recording and reporting the ethnicity, gender and sexuality of members in the same way as they already do with staff members.**
- **TVCA should commit itself to the ambition of becoming the first Combined Authority to secure Diversity Champion status.**

- **Asking Local Authority Leaders to publically commit to a gender balanced cabinet and committee system where practicable and acknowledge the risk of unconscious bias influencing the allocation of portfolios.**
- **The Combined Authority should lobby central government to extend entitlement to time off from work for the conduct of public duties to Combined Authorities, Local Authorities and Local Enterprise Partnerships and to conduct a review of financial disincentives preventing political engagement, in particular by currently under-represented groups.**
- **The Combined Authority must comprehensively define the roles and responsibilities of portfolio positions and provide job descriptions to portfolio holders.**
- **Recommending both TVCA and its constituent authorities consult on the most appropriate timing of meetings to maximise attendance, and investigate what technological solutions are available to allow remote attendance at meetings.**
- **The Tees Valley Combined Authority should commission an independent audit of its premises to ensure accessibility, and seek to secure Disability Confident status at the earliest opportunity.**
- **The Tees Valley Combined Authority should ensure that all Cabinet reports include a thorough and meaningful Equalities Impact assessment, and that this assessment is carried out only by suitably qualified staff.**

As another interview subject noted:

“If we get this right it will make the Combined Authority more visible and relevant, and it will encourage other businesses and organisations to be the same. A lot of people look to us for leadership, we have to be an exemplar and put it at the heart of what we do”

Cllr Norma Stephenson OBE, Chair of Overview and Scrutiny Committee

2. Why this matters

Achieving more representative membership of the Tees Valley is not about window-dressing. There are significant organisational benefits to achieving a more representative membership.

Better Decision Making

The Tees Valley Combined Authority exists to better meet the employment and transport needs of the people of the Tees Valley – but these needs vary, for example, between genders.

In employment terms, women in the Tees Valley earn 20% less as a whole and 13.9% less an hour than men. They are 6.8% more likely to be economically inactive. They are three times more likely to work part-time (source: Office of National Statistics)

In transport terms, the North East is the only region in the country where women undertake longer commutes than men. Women are twice as likely as men to commute as a car passenger and are twice as likely as men to commute by bus. Men are five times more likely to commute by bicycle (source: Office of National Statistics)

It would be unfair to suggest that councillors are capable only of representing people whose attributes match their own, but there can be little debate that the Tees Valley would benefit from a wider range of human experience being represented within its elected membership.

Delivering Organisational Priorities

Research from consultants McKinsey has shown a significant relationship between more diverse leadership teams and the elevated presence of women in the organisation and corporate performance.

Companies in the top quartile of racial diversity are 35% more likely to record above average financial returns. More diverse companies appear better able to win top talent and improve customer and employee satisfaction and decision-making. The study concludes that its findings indicate “that companies that commit to diverse leadership are more successful”.

There is also the possibility that improved organisational diversity could even contribute towards the Combined Authority’s strategic aims. For example 31% of Tees Valley IT employers have reported a skills shortage – compared to 6% nationally. Over the past three years the percentage of females starting apprenticeships has however consistently fallen – prominent women in organisations such as ours have the power to inspire younger women, to aspire to the sorts of careers in which the Tees Valley’s economy needs them to aspire to.

Bridging the Confidence Gap

A Combined Authority is new concept which is not yet fully embedded in the consciousness of the region. If it is to achieve this the Tees Valley Combined Authority need to command the confidence of and appear credible to the people it serves.

To do that it needs to look like its local communities or risk under-represented groups believing that their needs have been overlooked or are unimportant, causing them to disengage from both the organisation and the democratic process in general.

3. Initial Findings from surveys of memberships of Constituent Authorities and Combined Authorities.

Diversity and elected representation in the Tees Valley

52% of people in the Tees Valley are women – but only 42% of its councillors, and **15% of councillors involved in the Tees Valley Combined Authority**

Although the regions proportion of female councillors is **higher than the national average of 33% and equivalent to the average of 45% found in other metropolitan boroughs**, it thins out dramatically at the top of our political organisations and does not translate into leadership positions and cabinet positions, where:

- **80% of Tees Valley Council Leaders are male**
- **100% of Deputy Leaders are male**
- **70% of Cabinet Members are male**

	Total Councillors	Total Male Councillors	Total Female Councillors	Percentage Male Councillors	Percentage Female Councillors
Darlington	49	28	21	57	43
Hartlepool	33	22	11	67	33
Middlesbrough	46	25	21	54	46
Stockton	56	31	25	55	45
Redcar & Cleveland	58	33	25	57	43
TEES VALLEY	242	139	101	58	42

As a result, when the elected Mayor is included in these figures, **81% of elected members** on the Tees Valley Combined Authority Cabinet are male.

At the start of this study, just **14% of the Tees Valley Combined Authority Cabinet**, 13% of its Local Enterprise Partnership board and **16% of the members of its statutory committees** were female.

	Total Members	Total Male Members	Total Female Members	Percentage Male Members	Percentage Female Members
DBC Cabinet	7	5	2	71	29

HBC Policy Committee Chairs	6	5	1	83	17
MBC Cabinet	9	5	4	56	44
SBC Cabinet	7	5	2	71	29
R&BC Cabinet	8	6	2	75	25
Total LA Cabinet	37	26	11	70	30
TVCA Cabinet	7	6	1	86	14
LEP Board/Associate Cabinet Members	12	10	2	83	17
Total Cabinet	19	16	3	84	16
Overview & Scrutiny Committee	15	11	4	73	27
Audit & Governance Committee	8	6	2	75	25
Transport Committee	6	6	0	100	0
Total TVCA Committees	48	39	9	81	19

It should be noted that since the commencing of this study, the Local Enterprise Partnership (associate members of Cabinet) has publically committed itself to achieving a 50/50 gender balance by 2020, and undertaken a recruitment campaign aimed at diversifying its membership. This process culminated in the appointment of 3 additional female members at the Cabinet meeting of November 2018.

According to the Office of National Statistics, as of November 2018, 5% of the working age population of the Tees Valley were classified as being members of ethnic minorities, breaking down on an area-by-area basis as follows:

- **Middlesbrough 11%**
- **Stockton 5%**

- **Darlington 4%**
- **Hartlepool 2%**
- **Redcar & Cleveland 1%**

At a council level it is impossible to say with any authority how representative Tees Valley elected memberships are, as this data is regrettably not recorded by councils.

We estimate that in the region of 3% of Tees Valley councillors are from ethnic minority backgrounds, slightly lower than the population as a whole. On an area-by-area basis these figures break down as follows:

- **Middlesbrough 7%**
- **Darlington 4%**
- **Hartlepool, Stockton and Redcar & Cleveland 0%**

It was not possible to identify any Black, Asian or Minority Ethnic members represented in the Cabinets of the five Constituent Authorities, the Tees Valley Combined Authority Cabinet or any of the statutory committees of the Combined Authority, and just one member of the Local Enterprise Partnership.

It was also not possible to identify any members of these groups who considered themselves to have a disability.

On an officer level, the Combined Authority has a very good story to tell on diversity. Out of 105 staff members employed by the organisation in November 2018, **62% were women** and **6%** came from BAME backgrounds.

At a management level, **75% of directors** (including the Chief Executive, Strategy Director and the Investment Director) and 42% of Heads of Service and Managers were women. This is replicated at local authority level where two of the five Tees Valley council Chief Executives are currently women, a figure scheduled to rise to three out of five early in 2019.

The Annual Population Survey published by the Office of National Statistics found that 2% of UK residents over the age of 16 identify as lesbian, gay or bisexual.

At a council level it is again near-impossible to say with any authority how representative Tees Valley elected memberships are in terms of LGBT+ members as this data is also not recorded by councils.

How this compares with other local authorities

The gender balance of the Tees Valley council membership is currently better or in line with other councils, as demonstrated in the below table (source LGIU)

	Percentage Councillors Male	Percentage Councillors Female
Tees Valley	58	42
North East Councils	59	41
UK Councils	67	32
UK Metropolitan Boroughs	64	36

The Fawcett Society Local Government Commission (July 2017 and September 2018) however painted a stark picture of the lack of progress being made toward equality in council memberships, reporting:

- **3000 women councillors must be elected in order to reach 50/50 gender balance.**
- **At current rates of progress it will take English County Councils 48 years to reach equality.**
- **17% of council leaders are women.**
- **6 in 7 of council cabinet jobs that lead to the leadership go to men.**
- **Men out-number women in 97% of councils.**
- **30% of councils returned fewer women in 2018 than 2017**

These findings prompted Sam Smethers from the Fawcett Society to state: *“This is really disappointing. We are literally crawling along. As we mark the centenary of women’s suffrage, women’s representation across local government is stuck in the past”*

In response, Cllr Marianne Overton, from the Local Government Association noted: *“This report rightly recognises that progress must be made at a faster pace to ensure a greater representation of women in our local authorities... local government must be at the forefront of driving change”*.

The now-disbanded Centre for Women and Democracy in 2011, made a number of key observations about the councils and their leadership, including:

- **76% of leaders appointed that year were men replacing men.**
- **Women leaders are “very unlikely to have children of school age” – just 4%**

- **From a total of 2804 portfolio-holders in England, only 26% of positions are held by women.**
- **There is no correlation between the number of women councillors and the number of women portfolio holders.**

The Green Park 500 Public Leadership survey, a review of diversity of the UK's public sector also reported that **“the presence of ethnic minorities at the highest level of local government remains well short of parity”**, with 4.1% of the leadership of metropolitan boroughs of the kind found across the Tees Valley from non-White British backgrounds, compared to 13% of the wider population.

How this compares with other Combined Authorities.

The diversity of the membership of the Tees Valley Combined Authority is broadly in line with those of the fully-established Mayoral Combined Authorities, in which:

- **100% of Elected Mayors of Combined Authorities are men**
- **88% of Combined Authority Cabinet Members are Men**
- **68% of Combined Authority Committee Elected Members are Men**

As with our own figures it is difficult to accurately assess the ethnic background of members of other Combined Authorities, but it would superficially appear that those Authorities representing areas of higher diversity have higher subsequent representation at Combined Authority level.

Other Combined Authorities have made high profile efforts to improve the diversity of their membership, including:

- Constitutionally recognised Deputy Mayors of differing gender to the incumbent mayor (Greater London, Greater Manchester)
- Each Constituent Authority contributes two Cabinet Members (one man, one woman) to the Cabinet with second member acting as deputy portfolio holder (Liverpool City Region)
- The co-option of more representative Associate Cabinet Members (Greater Manchester)
- Co-opted committee members (West Midlands/Cambridge and Peterborough).

4. Findings from interviews with Local Authority Leaders and Chief Executives, Local Enterprise Partnership Members and the Mayor of the Tees Valley.

Between August and November 2018, the Committee held formal face-to-face interviews with the following key stakeholders of the Tees Valley Combined Authority.

- Ben Houchen, Tees Valley Mayor
- Cllr Stephen Harker, Leader of Darlington Borough Council
- Paul Wildsmith, Managing Director of Darlington Borough Council
- Cllr Christopher Akers-Belcher, Leader of Hartlepool Borough Council
- Gillian Alexander, Chief Executive of Hartlepool Borough Council
- David Budd, Mayor of Middlesbrough
- Tony Parkinson, Chief Executive of Middlesbrough Council
- Cllr Bob Cook, Leader of Stockton on Tees Borough Council
- Neil Schneider, Chief Executive of Stockton on Tees Borough Council
- Cllr Sue Jeffrey, Leader of Redcar & Cleveland Borough Council
- Amanda Skelton, Chief Executive of Redcar & Cleveland Borough Council
- Paul Booth, Chair of the Tees Valley Local Enterprise Partnership
- Siobhan McArdle, Member of the Tees Valley Local Enterprise Partnership
- Angela Howey, Member of the Tees Valley Local Enterprise Partnership
- Beth Farhat, Secretary of the Trades Union Congress North and Member of the Tees Valley Combined Authority Education, Employment and Skills Partnership Board.

Although a wide range of views were voiced, a number of key themes and observations emerged from this process.

1. Stakeholders unanimously recognised that the current membership of the Tees Valley Combined Authority is inadequately representative of the population of the region.

Not a single interview subject expressed the view that the current membership of the Tees Valley Combined Authority was desirable or representative of the population it exists to serve.

Indeed, many stakeholders frequently expressed pronounced frustration with the lack of progress being made in this area and its potential negative impact upon the reputation and effectiveness of the Combined Authority.

“We’re definitely not representative... a retired men’s club? You’re not far wrong”

“Any public body should reflect the community it serves in terms of gender – not just men and women but other genders too –and other under-represented groups...When it comes to diversity, ours is very poor, one of the worst”

“The ideal gender balance should be 50/50. Females are currently under-represented on the LEP and TVCA and I feel you are not close to achieving this. TVCA and the LEP do need to take a more pro-active approach to encouraging females to sit on the board. Presently it is full of white middle-class males who have been long-serving members so it feels like a clique”

“This is overdue. This is an issue I have flagged up again and again. Just look at the pictures of the signing of the devolution deal... its all grumpy old men! You still see that in meetings and you still see it too often. From Tees Valley Unlimited to the LEP to the Shadow Combined Authority we’ve never been representative of our communities and we need to be”

“The gender split should be 50/50”

“You’ve got to...make people see that this organisation is open to everyone... TVCA is the opposite of that. It’s overwhelmingly male”

“Ideally we should be reflecting the make-up of the population, which is 51% female and 49% male but half the population think it’s just an old boys club. When you see publicity photos I think people switch off because they think ‘it’s nothing to do with people like me’”

“I’m not saying we need a 50/50 gender split but it would be good for the Cabinet to have more lady members and ethnic minorities. We need to represent everyone in the Tees Valley. You can see that we don’t have that diversity by looking around the room”

Interview subjects also noted that their experience of their own organisations demonstrated that improved diversity could only be achieved through pro-active effort and not a patient belief in organic progress.

“When I was appointed I asked for a report into how under-represented women were at senior level and how under-represented other groups were too. It didn’t tell us anything we didn’t already know. I gave a senior staff member a specific corporate role for changing things”.

2. Interview subjects universally recognised the value of a more representative Combined Authority membership to both the organisation itself and the wider Tees Valley region.

A significant proportion of those interviewed agreed that a more representative membership could have a significantly positive impact on the quality of policy and decision-making by the Tees Valley Combined Authority, assist in the delivery of its strategic vision for the region and improve the visibility and reputation of the organisation.

“We want a diverse range of views, but we have a homogenous group of people from similar backgrounds, which churns out very similar ideas about what we need to do”

“When we put out publications I get very frustrated because all the images are male. Men in hard hats, men in hi-vis jackets. Imagery is important and this just reinforces that. It’s a self-fulfilling prophecy... If we’re going to have a broader economy we need a much more diverse workforce”

“If we get this right it will make the Combined Authority more visible and relevant, and it will encourage other businesses and organisations to be the same. A lot of people look to us for leadership, we have to be an exemplar and put it at the heart of what we do.... when we send all male panels to conferences it reflects us as a region”

“If you have a male-dominated management team you are definitely missing something”

“You don’t get better policy coming forward if you exclude 50% of the population from the process. You get better decisions from a more diverse group of people”

“Whilst the number of women interested in technology-related career falls, the tech job market is growing faster than any other. If we’re going to meet the technology workforce needs, then we need to start appealing more to the gender that makes up 51% of the population. When it comes to recruitment, diversity can help you build your business and attract talent that wouldn’t normally apply for positions with your company. If you can build a leadership team to have a fair gender representation you can inspire other females to aim higher in their career”

3. Representatives of both the Combined Authority and its Constituent Authorities reported the existence of significant obstacles making it hard for them to deliver on aspirations of a more representative elected membership.

It is beyond question that improving representation in the elected element of the Tees Valley Combined Authority is a far from simple process. The vast majority of positions are constitutionally granted to council leaders and cabinet portfolio holders. As 80% of Tees Valley Council leaders are men, 100% of deputy leaders and 75% of cabinet members, there is very little room for manoeuvre at Combined Authority level when it comes to achieving a balanced cabinet.

Subjects were quick to point out that improving the diversity of elected membership was more difficult in practice than in theory, in particular highlighting both a lack of female and minority councillors to seek such positions, and a lack in particular of willingness from female members to put themselves forward.

Put simply, stakeholders pointed out that there are simply not enough women and even fewer ethnic minority members within their elected memberships to choose from, fewer still wish to or feel able to be chosen.

“It’s up to the Local Authorities to put forward their members. All political parties should be getting better representation of women. Councils should be doing much more, but we are at the whim of those councils”

“We elect on portfolios and women don’t put themselves forward for positions like resources or regeneration. Where women perceive their focus to be, or other people perceive their focus to be, tends to be ‘softer’ areas like Children’s Services”

“In an ideal World you’d have an equal split, but the difficulty is where your councillors come from. Cabinet has always been dominated by men. It’s usually 2 or 3 women. I did have a conversation with my deputy about how we could have a gender balanced leader, deputy and cabinet, but then we have the problem of who would be able to do it and who would want to do it. I only have 29 people to choose from”

“We need more women leaders of councils. That’s what we really need”

“It’s difficult for me in a committee system. I can’t select a 50/50 cabinet, although I have to intervene at some points I allow committees to select their own Chair. I try to encourage gender balance but a lot of people don’t want the responsibility of being Chair”

“The way I select my Cabinet is very simple – who can do the job! We have to play around with factors like geography and even availability; it’s a lot like juggling. When you come to the end you think ‘look at that, that’s not great for equality’”

“It’s difficult to get women to put themselves forward. As a group we need to think about how to make all members put their names forward”

“The problem is the gender balance of the leaders. The long term solution is to get more women involved in politics, which will percolate upwards”

Although as one respondent noted, with sufficient will, these obstacles can be overcome.

“We have equality written into our Constitution. It’s hard for some of our (constituent groups) who don’t have a lot of female members – but it’s about making them think about bringing through members who are women, minority, trans and LGB”.

4. There was widespread acknowledgement that the purpose and significance of the Tees Valley Combined Authority is yet to become fully embedded in the consciousness of the population of the region – including its councillors.

A tangential but significant theme to emerge from discussions is a concern of stakeholders that progress being made by TVCA is being hampered to some extent by a lack of awareness of its role and the value of engagement, and that this lack of understanding extends not just to the population as a whole but councillors of its constituent authorities.

With particular regard to this study, this factor is perceived as a reason why the membership of statutory committees such as the Overview and Scrutiny Committee itself are so lacking in diversity.

“Nobody wants to come onto the Combined Authority. It takes a lot of pressing to make people aware of the importance of being here. They think because it’s in its infancy there’s no point in being part of it”

“There is an issue about how seriously members beyond the leaders take the Combined Authority and whether or not they want to engage with it constructively. There is a lack of understanding... and a legacy of people who don’t believe in the Authority or the elected Mayor”

“I think people are still working out what these roles are as people haven’t grown up with a Combined Authority. It’s not something people have grown up wanting to do... Members are chosen by the Labour Group but they can only do that on the basis of who volunteers. I don’t exactly have to encourage people but an explanation is often required as to why it’s necessary and why it’s important”

“If you are asked to represent your area on a Combined Authority it can be very daunting. It’s complex and technical and people may not feel able to do it”

“TVCA’s profile is driven by the mayor. People are aware of the person but lack understanding of what the body does”

“More work has to be done explaining to members more about what we do and how it is relevant to them and their communities. We need people to understand that it’s a positive thing”

“In terms of people coming onto TVCA one councillor put his hand up as he has always had an interest in scrutiny. As for the rest of the group, there was very little interest”

5. Interview subjects recognised a significant value of inspiring improved diversity through the promotion of prominent role models.

A significant proportion of stakeholders questioned put forward the notion that the prominent female and minority figures were essential to encouraging more women and people from ethnic minority groups to engage with the political process.

“I feel a more prominent female member of the TVCA would be beneficial, i.e. Deputy Mayor”

“We have to have more role models. At one time we had a full female line-up on the top table of our council, leader, mayor, Chief Executive, opposition leader and the MP too. You’ve got to use that to make people see that this organisation is open to everyone, this could be you, it isn’t just an exclusive male club”

“The Combined Authority is not just a small group of people in this building, people need to see that”

“We need people to look up and say ‘I could get there’. With people like Sue Jeffrey or Amanda Skelton and Gill Alexander those people are out there but we could have more. A female Deputy Mayor could have the benefit of doing that”

6. Stakeholders recognised a need for the Combined Authority, its Constituent Authorities and local political parties to engage far better with ethnic minority communities of the Tees Valley.

“Our council isn’t very diverse or representative of (the borough). But it depends on who the candidates are. For example, we have a Bangladeshi community but they aren’t party members”

“Is our council representative? Nothing like it. We have two BAME members, one Asian and one Caribbean, and they are both standing down”

“BAME members are a lot more difficult to engage with. With Asian groups in particular there seems to be a scepticism of local bodies. We have to change that.”

“As a council we have a BAME population of 3 or 4%, but we have a lot less employed by the council. We need to do more to encourage those communities to apply for jobs and ensure they have the skills and qualifications to apply for those jobs”

7. Interview subjects – including previous and current role-holders - agreed that the current Deputy Mayoral system is vague, undefined and under-utilised.

Whilst the Constitution of the Tees Valley Combined Authority explicitly states that the Mayor must appoint a Deputy, and that this Deputy be appointed from the leadership of the Constituent Authorities, almost no further instruction as to purpose of this role is provided. As a result, Cabinet Members questioned the value of the role in its present form.

Indeed, some Cabinet members felt that their own portfolio roles were equally under-developed, contributing towards them being sceptical towards the value of the establishment of junior cabinet roles introduced by other Combined Authorities.

“Very early on we looked at the appointment of Deputy Mayors, concerned in part by a lack of diversity – but the idea was not well received and the Constitution makes it difficult. It doesn’t make sense to me that there is no strategy or agenda for who we have doing that. It seems very arbitrary to me”

“The Deputy Mayor position is not defined at all. There was no role apart from it being a statutory requirement. I think I opened one project, which was in my area, when the Mayor couldn’t make it and maybe chaired a couple of meetings when he was away. It is pointless having a statutory Deputy Mayor if they have nothing to do. It needs defining”

“Our portfolio role is so under-developed anyway what would a deputy portfolio holder do?”

“I’m not sure I’d increase the number of positions. What would they do? We don’t want jobs that don’t do anything because, who would want those jobs?”

“I think the Mayor should be allowed to appoint deputies, people expect that”

There was however one significant observation from a Cabinet Member relating to this issue.

“We need to make sure that the narrative is all about equality, not just gender. I’m set to become Deputy Mayor next year and as a gay man if I was moved aside for a woman would that serve equality?”

5. Findings of survey of elected members of the Tees Valley and Local Enterprise Partnership members.

Between August and September of 2018 electronic surveys were circulated to the all councillors of the Tees Valley councils and members of the Tees Valley Local Enterprise Partnership in order to learn more about the gender, sexuality and ethnic background of the memberships, and to see if members felt their background impacted upon their council and board duties and engagement with the Tees Valley Combined Authority.

Of particular interest to the working group was ascertaining what factors prevent female and minority councillors from progressing from the backbenches of councils to positions of leadership and which prevent them from coming into contact with the Combined Authority.

78 council members completed the survey – 33% of the total.

7 Local Enterprise Partnership Members completed the survey – 58% of the total at the time.

Full results are attached as Appendix 1, but significant findings are detailed below.

What is clear from the survey is that a significant number of female councillors feel held back by their caring responsibilities, not feeling qualified to participate in the TVCA and not having enough confidence to participate.

We have also learned that Tees Valley Councillors are already in many case working full-time or more than full-time hours in their council responsibilities, ethnic minority members believe their backgrounds hold them back and LGBT+ members believe TVCA does not do enough to engage with their community.

What is also highly worthy of note is how LEP members unanimously believed the aims and objectives of TVCA are unclear to wider communities.

- **What the survey tells us about the membership of the Tees Valley councils**
 - 63% of Tees Valley Councillors are over 60
 - 64.5% identify as Christian, 32.9% as having no religion, 1.3% Muslim and 1% are an “other” religion.
 - 97% of councillors identify as “white British” or “white other” with 1.3% identifying as “British Asian”.

- 100% of these “British Asian” councillors believe their ethnic background has held them back, and 100% believe TVCA would be more representative and effective with BAME people represented at cabinet or committee level.
 - 25% of councillors have a caring responsibility (possibly as high as 30% when ‘prefer not to say’ results are included)
 - 52% of councillors are spending 21-50 hours on their council duties, equivalent to a full-time or mostly-full-time job.
 - 22% believe themselves to have a disability, but 88% of those respondents do not believe it has made it more difficult for them to progress as councillors. 69% of those councillors felt the CA would be more effective or representative with people with disabilities represented at cabinet or committee level,
 - 5% of councillors are bisexual, 1% gay, 0% lesbian and 2.7% would rather not disclose their sexual orientation.
 - 80% of these councillors do not think the CA does enough to engage with their community.
 - 11% of councillors – 8 in total – do not identify as being the gender they were assigned at birth.
- **The obstacles faced by female councillors in the Tees Valley**
 - 26% of female councillors thought their gender was an obstacle to progress.
 - Obstacles female members reported included:
 - Caring commitments (43%)
 - Not feeling qualified (57%)
 - A lack of confidence (29%)
 - Professional commitments (14%)
 - A lack of interest (14%)
 - Obstacles they thought other women faced included:
 - Caring commitments (50%)
 - Professional commitments (36%)
 - A lack of confidence (36%)
 - Not feeling qualified enough (29%)

- A lack of interest (29%)
 - Sexism (18%)
- 87% think it is important to increase the number of women in Cabinet and Committee roles.
- 43% believed senior appointments were made with an intentional or unintentional gender bias.
- **What do councillors think should be done?**
 - 48% believe proactive steps should be taken to promote prominent female role models
 - 62% backed the creation of junior portfolio roles
 - 31% supported help with caring expenses
 - 17% backed specific positions or positions for women, 21% a dedicated equalities portfolio holder, 21% an equalities committee
 - 44% supported additional training and 41% mentoring opportunities.
 - 45% supported more flexible meeting times.
 - 34% supported the use of technology to attend meetings remotely.
- **What the survey tells us about the membership of the Local Enterprise Partnership**
 - 86% of LEP board members identified as White British, 14% as “Other”.
 - 43% identified as Christian, 43% as having no religion and 14% would prefer not to say.
 - 100% gave their sexual orientation as “heterosexual”
 - 1 member reported that their gender was different to the one assigned at birth.

- 71% were male, 29% female (indicating that 100% of women on the LEP board at the time of the survey participated)
- 100% reported that they were working full-time.
- 66% of LEP members reported that they work in their substantive jobs for at least 41 hours a week, and in the case of 33% more than 61 hours.
- 43% felt materials such as recruitment adverts and personal specifications gave potential candidates a false impression that they are not qualified or experienced enough to join the LEP.
- Reasons LEP members believe prevented people from applying to serve on the LEP Board – women and ethnic minorities in particular included:
 - A lack of understanding about the role and responsibilities of the LEP (100%)
 - Not feeling the role is for people like us (71%)
 - Not having the time to commit (71%)
 - Family or personal reasons (43%)
 - Disagreeing with the concept of the LEP or the Tees Valley Combined Authority (14%)

6. Recommendations

Having considered the evidence gathered through an extensive research-gathering process, the Overview and Scrutiny has the following recommendations to make.

As laid out in the Constitution of the Tees Valley Combined Authority it requests that a formal response be received within two month of this report's presentation to Cabinet.

1. The Tees Valley Combined Authority should introduce an additional Deputy Mayor – who constitutionally must be of a different gender or protected characteristic group to the incumbent Mayor.

This study has not just revealed a need and desire for more prominent representation at the heart of the leadership of the Tees Valley Combined Authority, but the need for enhanced capacity within the organisation for engaging with communities and promoting the work and significance of the Combined Authority. The creation of the position for a prominent, high profile and credible Deputy Mayor, in addition to the existing local authority deputy mayor, would be the ideal way of meeting these needs.

This study has also revealed that many female and ethnic minority councillors – and prospective councillors - feel held back by a lack of expertise and a lack of confidence. Although some individual councils reported making efforts to address these issues, provision was inconsistent and lacking in central leadership and drive. Again, a prominent, high profile and credible Deputy Mayor would be ideally placed to co-ordinate work tackling these issues and lead on a regional level on removing the structural barriers to progress.

This position would be in addition to and not in replacement of the existing Deputy Mayor (Local Authority) who would continue to substitute for the Mayor as required.

Although the precise role and responsibilities of this post holder would be subject to wider consultation and development, we envisage this individual having a specific portfolio responsibility for Equalities and Opportunity and being tasked collaborating with local councils, community, faith and interest groups and businesses to overcoming the obstacles to public participation with politics revealed by this study, adding value to the work of the Mayor and the wider Combined Authority in engaging with communities and councils across the Tees Valley and working with Local Authorities to co-ordinate the development of networks, training programmes and mechanisms aimed at inspiring and creating a new generation of local leaders better reflecting the population of the region and proactively seek out women and minority councillors and potential councillors for leadership programmes.

“How do you get more women involved? It has to come from the organisations who are sending people forward” said one Cabinet Member interviewed for this study. The appointment of such a Deputy Mayor would allow the Combined Authority to empower its constituent councils to do just that.

In preparation for the creation of this position we additionally recommend that Local Authorities consult with the Chair of Overview and Scrutiny to comprehensively establish existing support aimed at attracting, retaining and developing under-represented councillors with a view to establishing how best the Combined Authority could add value to these efforts.

- 2. Constituent Authorities should nominate named substitutes for the Tees Valley Overview and Scrutiny Committee, where practicable of a different gender or from a different protected characteristic group to the regular member. These substitute members would also be invited to attend Committee meetings as non-voting members.**

TVCA’s 5 constituent council’s currently nominate 3 councillors from their elected membership to sit on TVCA’s Statutory Overview and Scrutiny Committee.

This committee does not currently require the local authorities to nominate substitute members to attend in the absence of full members, as it does with other statutory committees. As a result, achieving quorum has from time to time been problematic and representation from the differing local authorities varies significantly from an average membership of 2.8 members for one council to 0.8 to another.

Not only would the nomination of substitute members potentially tackle these attendance issues, by inviting them to attend and even participate in meetings it would encourage more councillors to participate more actively in the working of Combined Authority, in a limited and manageable capacity, and allow newer and less experienced councillors to develop their skills, confidence and familiarity of local government in preparation for progressing to more prominent roles.

- 3. The Tees Valley’s Constituent Authorities Councils should commit to immediately recording and reporting of the ethnicity, gender and sexuality of members in the same way as they do with staff members.**

It is not possible to assess the representativeness of council membership in terms of BAME and LGBT+ membership as no reliable statistics exist.

This study has been unable to comprehensively assess how representative the councillors of the Tees Valley are of the communities they serve as none of those councils are currently

recording details of their councillor's ethnicity, gender and sexual orientation in the same manner as they are legally required to for staff members. This is an unfortunate oversight which could and should be rectified almost overnight.

- 4. The Tees Valley Combined Authority should lobby government to extend the legal entitlement to time off work for public duties enjoyed by public role holders such as magistrates, to councillors carrying out activities relating to Combined Authorities, Local Authorities and Local Enterprise Partnerships and to conduct a review of financial disincentives preventing political engagement, in particular by currently under-represented groups.**

"It's relatively difficult to find women to stand in the first place, there are a huge number of ways in which we don't make it easy for councillors"

"Would remuneration help? Remuneration is a dilemma. There are some people where it would be true, especially people in low paid jobs or who can't afford to go part-time. But people outside of the process still see it as something that should be done in a voluntary capacity. But that doesn't buy food or pay the mortgage. There's a conversation to be had with the electorate who don't see the complexity and commitment of being a councillor"

It is clear that significant obstacles exist preventing willing volunteers from maximising their participation in public life – issues such as domestic and caring duties and attendant cultural attitudes, and working and financial commitments which tend to disproportionately affect female, younger, less affluent and working councillors.

Whilst it goes beyond the ability of the Combined Authority or its constituent authorities to address these issues alone, the committee believes a national conversation is necessary about what we expect from our councillors and what practical measures can be implemented to allow them to better exercise their duties.

- 5. The Tees Valley Combined Authority must comprehensively define the roles and responsibilities of portfolio positions and provide job descriptions to portfolio holders.**

Portfolio holders reported a lack of clarity with regards to the specific expectations and responsibilities of their roles. Once this work is carried out, it will be possible to accurately assess what support those portfolio holders require in this role, including but not exclusive to additional political support.

Although the Committee is stopping short at this stage of outright recommendation of the introduction of assistant portfolio holder roles, this may be revisited at a later date. In the meantime we would ask Council Leaders to consider formally mentoring a junior councillor from their own authority, whose responsibilities may include assisting with work relating to the Tees Valley Combined Authority.

6. Both the Tees Valley Combined Authority and its Constituent Authorities should consult with members on meeting times to ensure that they are as accessible as possible to all members.

Given the prevalence of shift-work in the Tees Valley and the comparative decline of the traditional nine-to-five employment, alternative meeting times alone should not be considered a panacea to improved political engagement from currently under-represented groups, but it cannot be overlooked that 44% of councillors surveyed endorsed more flexible meeting times as a means of addressing gender imbalance.

Both the Combined Authority and Local Authority should commit to carrying out periodic reviews that all meetings are timetabled or order to maximise accessibility and attendance of both members and prospective members.

7. Both the Tees Valley Combined Authority and its Constituent Authorities should investigate potential use of technology to enable the remote attendance of meetings.

It is clear that many elected members face practical difficulties in terms of physically attending meetings both their own councils and the Combined Authority, related to professional and caring commitments and even mobility.

In 2019 this should not be physically necessary for members to attend these meetings in person when adequate and affordable technology allows them to participate remotely, and both TVCA and its constituent councils should investigate the procurement of such technology if they have not already done so.

8. The Tees Valley Combined Authority should commission an independent audit of its premises to ensure accessibility, and seek to secure Disability Confident status at the earliest opportunity.

88% of survey respondents identifying as having a disability led reported that their disability did not prevent them from engaging with the TVCA, but there is nonetheless significant merit in commissioning of independent analysis of TVCA premises, and even more value in being able to publically emphasise that this is an organisation which takes disability rights seriously.

9. The Tees Valley Combined Authority should set itself the ambition of becoming the first Combined Authority to secure Diversity Champion status.

The Tees Valley Combined Authority is uniquely placed in both the Tees Valley, the North East and other Combined and Mayoral Authorities to offer leadership on LGBT+ equality. Working with the charity Stonewall to become the first Combined Authority to achieve the recognised standard organisational excellence in LGBT+ equality, Diversity Champion status, represents the ideal way of catalysing this work.

10. The Tees Valley Combined Authority should ensure that all Cabinet reports include a thorough and meaningful Equalities Impact assessment, and that this assessment is carried out only by suitably qualified staff.

The Combined Authority must guard against the temptation of assuming that issues like gender are irrelevant in economic development decisions and ensure that all relevant staff have the appropriate training to factor these issues into their proposals.

11. Constituent Authority Leaders are asked to publically commit to a gender balanced cabinets and committees in their councils, where practicable, and acknowledge the risk of unconscious bias influencing the allocation of portfolios. Constituent Authority Leaders should also commit to reviewing mental health support offered to councillors.

At present just 30% of local authority cabinet members are women, and those women are overwhelmingly to be found in the same “caring” portfolios with little interaction with TVCA.

43% of those surveyed believed that the appointment of senior councillors was made with an intentional or unintentional gender bias.

While acknowledging the practical difficulties leaders face when building balanced cabinets and the interests and ambitions of individual councillors, leaders should be aware of how striking it is that only two female Tees Valley Cabinet members currently hold portfolios

relating to economic development, resources, transport and housing – the most likely portfolios to engage with the Combined Authority and statistically the most likely positions from which cabinet members progress to council leadership.

12. The Tees Valley Combined Authority should consider how existing local authority-specific events showcasing the diversity of the Tees Valley – such as Pride and Mela- can be developed into region-wide events.

The individual authorities of the Tees Valley have a good deal to be proud of in terms of specific cultural events showcasing our region's diversity. The Combined Authority should use its position and leverage to add maximum value, capacity to these events, driving their popularity and profile.

In addition to these recommendations it should be noted that the Committee would have recommended that the Local Enterprise Partnership commit to securing a balanced gender membership within a set timeframe and take proactive steps to recruit more female and BAME members. However the LEP independently recognised its weakness in this area and voluntarily made a commitment in November 2018 to achieving a 50/50 gender balance by 2020, as well as undertaking a recruitment campaign aimed at diversifying its membership which has already yielded the appointment of 3 additional female members.

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AGENDA ITEM 10**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****15 MARCH 2019****REPORT OF THE STRATEGY DIRECTOR****TEES VALLEY ASSURANCE FRAMEWORK****SUMMARY**

This report attaches the draft Tees Valley Assurance Framework for the administration and decision making of the Tees Valley Investment Plan including all funding under the Combined Authority's control. The Assurance Framework is required for all Mayoral Combined Authorities and Local Enterprise Partnerships. It replaces the last published Assurance Framework (2016) and takes on board the national guidance published by the Ministry of Housing, Communities and Local Government for National Local Growth Assurance Framework (January 2019) which incorporates many of the recommendations of the national review of Local Enterprise Partnerships.

The Tees Valley Assurance Framework has to be submitted to Government by the end of March 2019 and will unlock the release of funding for 2019/20.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Agrees the Assurance Framework for submission to Government.

DETAIL

1. The attached (APPENDIX 1) draft Tees Valley Assurance Framework sets out:
 - How the seven principles of public life shape the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Tees Valley Investment Fund, incorporating the Single Pot funding. This culture is developed and underpinned by processes, practices and procedures;
 - The respective roles and responsibilities of the Combined Authority, the Local Enterprise Partnership and the Section 73 Officer, in decision-making and ways of working and forms the published joint statement of the Combined Authority and the Local Enterprise Partnership;
 - The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money;

- How potential investments to be funded through the Tees Valley Investment Fund, incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered;
 - The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.
2. The Assurance Framework covers all funds within the Tees Valley Investment Fund, incorporating the Single Pot under the Tees Valley Devolution Deal agreed with Government, and funds added to the Single Pot since the Devolution Deal, together with other sources of income such as Enterprise Zone business rates and loan repayments.
 3. The Assurance Framework will be reviewed on an annual basis with any revisions in place for April of the following year. Any agreed changes that require amendments to the Combined Authority Constitution will be agreed at the Combined Authority AGM in May each year. The next annual review of this document will take place in December 2019.
 4. The review will examine whether the assurance processes are operating effectively and identify any areas of improvement. Any changes to legal, funding, or other contextual changes that might require a change of assurance process will be taken into account, along with the impact on any other Combined Authority key strategies, policies or processes.
 5. The Assurance Framework covers all aspects of our processes, practices and engagement, ensuring that we operate in open and transparent ways, with clarity around everyone's roles and with appropriate accountability in place. At the heart of the Assurance Framework is our decision making process.

DECISION MAKING

6. Our decision making process and governance for the Tees Valley Investment Fund as set out in the Tees Valley Ten Year Investment Plan 2019-29 is as follows:

Strategic Economic Planning and Investment Planning

- The Combined Authority **Cabinet** provides the overall strategic direction for economic growth in Tees Valley - ***approves the Strategic Economic Plan and associated thematic strategies and plans;***
- The Combined Authority **Cabinet** sets out the investment priorities for the Tees Valley Investment Fund - ***approves the Tees Valley 10 Year Investment Plan,*** including:
 - thematic allocations and
 1. named prioritised projects (identified in bold italics in the Investment Plan) – to be taken to full business case and due diligence;
 2. named projects / programmes without allocations agreed in the Investment Plan

Decision process for 1. named prioritised projects (identified in bold italics in the Investment Plan) – to be taken to full business case and due diligence

- For these programmes / projects the Combined Authority Cabinet has already agreed that the activity fits with our strategic objectives and has agreed a funding allocation to the activity. The detailed consideration of whether the programme / project represents value for money, has realistic delivery timescales and processes, will deliver the outputs and outcomes that we require etc. is undertaken through the development of a ***Business Case***.
- This is then appraised by Combined Authority staff (with external technical support if required). Consideration of ***business cases and the appraisal is delegated to the Combined Authority Chief Executive for approval in consultation with Tees Valley Management Group, the Section 73 Officer and the Monitoring Officer*** (unless the funding request exceeds the allocated funding in the Investment Plan by 10% or more). In the event the funding requested exceeds the original allocation by 10% or more the decision is referred to the Combined Authority Cabinet as this would have implications for the Investment Plan (with a recommendation provided by the Chief Executive on behalf of the Management Group, Mayor and Portfolio Holder);
- Decisions are reported to the Combined Authority Cabinet for information and to Overview & Scrutiny (all decisions are subject to the Overview & Scrutiny call in procedures).
- In considering the appraisal recommendations (including any conditions) on business cases the following supporting information will be provided:
 - The business case; and
 - The completed appraisal document
- Business cases and appraisal documentation will be published on the Combined Authority website.
- Consideration of expenditure in advance of business case approval is delegated to the Combined Authority Chief Executive in liaison with the Mayor and the thematic portfolio holder.

Decision process for 2. named programmes / projects without allocations agreed in the Investment Plan

- A Project Initiation Document will be required for programmes and projects that do not have a specific funding allocation identified within the Investment Plan. This will provide a brief description of the project, outputs, funding required and the timescales for delivery and will be prepared by the project sponsor with support from the Combined Authority.
- The Project Initiation Document will be used for Investment Planning purposes to enable more informed financial and output profiling across the initial four years (in line with the Medium Term Financial Plan) to be prepared. Once the Project Initiation Document is in place the Combined Authority will timetable in support for the development of the business case and appraisal and will work with the project sponsor to achieve the project timescales.
- If the project is ready to go straight to business case development and the delivery timescales are such that it is appropriate to do so the Combined Authority and project sponsor can agree to miss out the Project Initiation Document phase and go straight to Business Case development.
- Once the project has progressed to Business Case and the appraisal has been completed the Combined Authority Chief Executive will report to Cabinet with a

- recommendation on the programme / project for Cabinet consideration / decision.
- In considering the appraisal recommendations (including any conditions) on business cases the following supporting information will be provided:
 - The business case; and
 - The completed appraisal document
 - Business cases and appraisal documentation will be published on the Combined Authority website.

Decision process for new programmes / projects not in the Investment Plan

- With a ten year Investment Plan new opportunities or challenges will arise and programmes / projects to address them will need to be considered. If they cannot be accommodated within an existing Investment Plan programme they will need to be considered by Cabinet for entry to the Investment Plan.
- An Expression of Interest will be submitted to the Combined Authority. This will then be considered by the Combined Authority Chief Executive, in consultation with the Tees Valley Management Group, the Mayor and the appropriate Thematic Portfolio Holder. All Expressions of Interest will be reported to the Combined Authority Cabinet with a recommendation on whether or not to accept it into the Investment Plan.
- Those that are accepted into the Investment Plan would then proceed to follow the Project Initiation Document through to Business Case development and be taken to the Combined Authority Cabinet for decision.

Additional Delegations

7. The Chief Executive has delegated authority agreed at July 2017 Cabinet (TVCA 25/17) to authorise expenditure up to £1m in consultation with the Mayor and the relevant portfolio holder;
8. All decisions taken by the Combined Authority Cabinet and those taken under delegated arrangements are published within two working days of being made and the Overview and Scrutiny Committee are sent a copy of all such decisions at the same time and have the ability to call in decisions for review and scrutiny; and
9. If a decision is taken that does not meet the Assurance Framework it will render the decision invalid on the basis of non-compliance.
10. The decision making process is illustrated on page 17 of the draft Assurance Framework and a colour A3 version will be available at the Cabinet meeting for ease of reference.

FINANCIAL IMPLICATIONS

11. The Assurance Framework has to be submitted to and agreed by Government to unlock our Investment Plan funding for 2019/20 and future years.

LEGAL IMPLICATIONS

12. The Combined Authority Constitution will need to be amended to reflect the Assurance Framework and will be brought to the Combined Authority Cabinet at the May meeting.

RISK ASSESSMENT

13. This report is categorised as low risk. Drafts of the Assurance Framework have been shared with our local BEIS / Cities and Local Growth colleagues as it has developed.

CONSULTATION & COMMUNICATION

14. The Tees Valley Management Group, Local Authority Chief Executives and the Local Enterprise Partnership members have been consulted on the draft Assurance Framework during its preparation. Once agreed the final Assurance Framework will be put onto the Tees Valley website and will be available to all partners, potential project sponsors and the public.

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**Tees Valley Combined Authority Assurance
Framework**

March 2019

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1. Purpose of the Tees Valley Assurance Framework

1.1 The Assurance Framework sets out:

- How the seven principles of public life shape the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Tees Valley Investment Fund, incorporating the Single Pot funding. This culture is developed and underpinned by processes, practices and procedures;
- The respective roles and responsibilities of the Combined Authority, the Local Enterprise Partnership and the Section 73 Officer, in decision-making and ways of working and forms the published joint statement of the Combined Authority and the Local Enterprise Partnership;
- The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money;
- How potential investments to be funded through the Tees Valley Investment Fund, incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered;
- The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

1.2 The Assurance Framework sits alongside a number of other Tees Valley Combined Authority documents – most notably the Constitution of the Mayoral Combined Authority ([INSERT LINK](#)), the Tees Valley Strategic Economic Plan ([INSERT LINK](#)), the Tees Valley Investment Plan 2019-29, ([INSERT LINK](#)) the Monitoring and Evaluation Framework ([INSERT LINK](#)) and the Combined Authority Financial Regulations ([INSERT LINK](#)). This Assurance Framework replaces the last published Assurance Framework (2016) and takes on board the national guidance published by the Ministry of Housing, Communities and Local government for National Local Growth Assurance Framework (January 2019).

1.3 The Assurance Framework covers all funds within the Tees Valley Investment Fund, incorporating the Single Pot under the Tees Valley Devolution Deal agreed with government, and funds added to the Single Pot since the Devolution Deal, together with other sources of income such as Enterprise Zone business rates and loan repayments.

Review of the Assurance Framework

1.4 The Assurance Framework will be reviewed on an annual basis with any revisions in place for April of the following year. Any agreed changes that require amendments to the Combined Authority Constitution will be agreed at the Combined Authority AGM in May each year. The next annual review of this document will take place in December 2019.

1.5 The review will examine whether the assurance processes are operating effectively and identify any areas of improvement. Any changes to legal, funding, or other contextual changes that might require a change of assurance process will be taken into account, along with the impact on any other Combined Authority key strategies, policies or processes.

1.6 The remainder of this document is structured around the following sections:

- **Section 2** describes the Tees Valley Strategic Economic Plan, our Ten Year Investment Plan 2019-29 and clarifies the content of Tees Valley Investment Fund and the role of the Assurance Framework;
- **Section 3** describes the accountability and transparent decision making process and practices that we operate and the roles and responsibilities within it;
- **Section 4** describes how we make robust and evidenced decisions;
- **Section 5** explains the processes once programmes and projects are in the delivery phase; and finally
- **Section 6** explains how we will measure the success of our investments, realise the benefits of that investment and feed the evaluation outcomes back into the Investment Planning, and strategy and policy development processes.

DRAFT

2. Tees Valley Strategic Economic Plan and Investment Plan 2019-29

Tees Valley Strategic Economic Plan

- 2.1 The Tees Valley Strategic Economic Plan ([click here](#)) sets out the area's ambition to drive the transition to a high-value, low-carbon, diversified and inclusive economy and sets an ambition to unlock a net additional 25,000 jobs by 2026. It is essential that all Tees Valley residents can gain the skills and confidence they need and can travel to these job opportunities.
- 2.2 Our ambition incorporates economic, social and environmental priorities and will allow all partners to work towards a sustainable and socially responsible Tees Valley. Underlying this ambition is a commitment to improving the lifetime opportunities for local people, tackling some of the difficult challenges of social exclusion, providing opportunities across all the Tees Valley including rural areas and disadvantaged communities, thereby ensuring that all citizens are able to share in the benefits of economic growth.
- 2.3 The Strategic Economic Plan is focused around six growth generating themes and provides the strategic rationale and priorities for interventions and for investment:
1. **Transport:** to improve connectivity within Tees Valley, across the Northern Powerhouse, the UK and the world;
 2. **Education, Employment & Skills:** to increase educational attainment, produce the skilled workforce that businesses need and increase lifetime opportunities for our residents;
 3. **Business Growth (including enabling infrastructure):** to diversify the economy, support more business start-ups, develop high growth potential businesses and key growth sectors;
 4. **Culture:** to build cultural vibrancy in our communities and change external perceptions of Tees Valley through the arts, cultural and leisure offer whilst creating places that attract and retain businesses and business leaders and make the area more attractive to investors, workers and visitors;
 5. **Research, Development, Innovation & Energy:** to introduce new processes and practices which reduce carbon emissions, increase productivity and the availability of high value jobs; and
 6. **Place:** to accelerate the supply of good quality homes across the whole housing market, revitalise our town centres and urban cores, bring forward surplus public and blighted brownfield land for development and strengthen our commercial property offer.
- 2.4 Investments will only be made if they can demonstrate that they will support the delivery of the Strategic Economic Plan and also our more detailed thematic strategies and plans (where they are in place).

Tees Valley Investment Plan 2019-29

- 2.5 With the creation of the Combined Authority in 2016 and the Mayoral election in May 2017, the Devolution Deal with government in 2015 provides for the transfer of significant powers for employment and skills, transport, and investment together with the first Mayoral Development Corporation outside London. Through the deal the Combined Authority has the power to create an Investment Fund, bringing together funding for devolved powers to be used to deliver a 30-year programme of transformational investment in the region. This includes the control of a new £15m a year funding allocation over 30 years. The initial Tees Valley Combined Authority Investment Plan was agreed in March 2017 and set out the investment priorities for the period to 2021.
- 2.6 The Combined Authority has been developing its detailed strategies for key areas of activity including:
- Education, Employment and Skills with the publication of Inspiring our Futures ([click here](#))
 - Strategic Transport Plan
 - Culture Strategy
- 2.7 The productivity challenges and opportunities will be further detailed in our emerging Local Industrial Strategy to be published **by the end of summer 2019**. However, with much of this long-term thinking already in place, together with the significant uncertainties for the economy over the next few years, both nationally and locally, it is now critical that we make use of the devolution powers for long term investment planning. Therefore the Investment Plan agreed by Cabinet on 24th January 2019, sets out our investment strategy for the period 2019 – 2029 (**INSERT LINK**).
- 2.8 The ten year Investment Plan (which will be reviewed annually) sets out at a high level the transformational investments that Tees Valley Combined Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. Some are still project ideas at this stage and might not be feasible, others are further advanced. It is not intended to be an exhaustive list of activity as new opportunities will arise during the period, but it identifies the key activities that we know now could be transformational and will need investment during the Plan period to unlock the opportunities they could bring. Prioritisation (**process is detailed in section x**) has been undertaken to ensure that our investment goes into projects that will unlock transformational anchor projects that will have a significant impact on growing the whole Tees Valley economy. The initial priorities within the thematic areas are detailed in the Investment Plan **in bold italics**.

The Tees Valley Investment Fund

- 2.9 As part of the devolution deal, the Combined Authority has responsibility for a 'Single Pot' of funding, including:
- Gainshare (the devolution deal £15m p.a. for 30 years);
 - Local Growth Fund (LGF);

- Transforming Cities Fund (TCF); and
- Adult Education Budget (AEB).

2.10 However, the Combined Authority also has other sources of income, including Enterprise Zone business rates and loan repayments. The long term security of the gainshare funds and other income and the devolution deal powers for the Combined Authority means that the Combined Authority is able to borrow against future funds, to enable us to deliver transformational activity sooner rather than delivering smaller scale and less impactful activities based on a smaller annual allocation.

2.11 The Combined Authority does not distinguish between the different sources of funding for the purpose of Investment Planning, other than recognising that some sources of funding are restricted in what they can be used for. All funds (with the exception of the Adult Education Budget) are within the Tees Valley Investment Plan / Fund i.e. the use of the term Investment Fund (which is used by some to define the gainshare funding) in Tees Valley includes all funding sources and income currently available to the Combined Authority, not just the funds provided through the devolution deal. Whilst the Adult Education Budget is not within the Investment Plan / Fund it is covered within this Assurance Framework.

2.12 The Combined Authority recognises that the monitoring requirements for different sources of funding will differ and needs to meet the requirements of the funding body. The Investment Plan identifies the ten year investment priorities against all Combined Authority sources of income and applies the Assurance Framework consistently across all funds within the Investment Plan. The Assurance Framework clearly identifies the processes for securing funds from the Tees Valley Investment Fund and the requirements placed on delivery partners once their projects have been approved.

2.13 This means that any organisation seeking funding from the Combined Authority does not need to concern itself with the source of the funding and different rules and processes that will apply. These will be identified in the funding agreement with the delivery partner.

3. Accountability and Transparent Decision Making

- 3.1 Members of the Combined Authority are expected to act in the interests of the Tees Valley area as a whole when making investment decisions. A variety of controls are in place to ensure that decisions are appropriate and free from bias or perception of bias. Further details are provided in the following sections.

Roles and Responsibilities

Tees Valley Combined Authority

- 3.2 The Combined Authority was established to further the sustainable and inclusive growth of the economy of the Tees Valley. As a statutory local authority our governance, decision making and financial arrangements are in line with local authority requirements and standard checks and balances.
- 3.3 The Combined Authority was established in April 2016 with the Mayoral election held in May 2017. It has been built on a strong history of collaboration between the five Constituent Authorities (Darlington, Hartlepool, Redcar & Cleveland, Stockton on Tees and Middlesbrough) the private sector and other partners.
- 3.4 This effective joint working between the public and private sector that has been developed over a period of 20+ years, through various partnership models, and more recently through the Local Enterprise Partnership. In establishing the Combined Authority the five constituent local authorities wanted to ensure that this collaboration was embedded within the way the Combined Authority works. It was therefore agreed that the Local Enterprise Partnership would be fully integrated within the Combined Authority. The private sector members of the Local Enterprise Partnership are associate members of the Combined Authority and attend both informal and formal Cabinet meetings. The role of the private sector Local Enterprise Partnership members is detailed further below.
- 3.5 For the purposes of this document all references to the Combined Authority apply to the Local Enterprise Partnership unless explicitly referred to **separately**.
- 3.6 The Combined Authority therefore incorporates the role and responsibilities of the Tees Valley Local Enterprise Partnership and the roles defined in the devolution deal (in particular the Transport Authority, and non-statutory responsibilities such as the administration of the Adult Education Budget).
- 3.7 The Combined Authority is its own accountable body and provides the accountable body role for the LEP and employs the officers that support it.

Combined Authority Membership

3.8 The Combined Authority membership and status in our Cabinet is as follows:

Mayor (Chair) – voting.

Leaders of the five constituent local authorities:

- Darlington Borough Council – voting
- Hartlepool Borough Council – voting
- Redcar & Cleveland Borough Council – voting
- Stockton on Tees Borough Council – voting
- Middlesbrough Borough Council – voting.

Deputy Mayor – is held by one of the Local Authority Leaders on an agreed annual rotation.

Local Enterprise Partnership Chair – non-voting.

Local Enterprise Partnership other public and private sector members – associate members – non –voting.

Local Enterprise Partnership – business representation organisations – observers – non-voting.

The Role of the Mayor

3.9 The Constitution provides for a directly elected Mayor of the Tees Valley, required by government as a precondition for meaningful devolution, and who is the chair of the Combined Authority. The Mayoral arrangements will only gain the confidence of the electorate if they secure support from across our diverse communities, meet the highest standards of democratic accountability and are subject to robust checks and balances. The Constitution therefore provides for the Mayor's role to be embedded in the Combined Authority's collective decision-making arrangements.

3.10 The Mayor chairs the Cabinet which is made up of the leaders of the five constituent authorities, who together form the Combined Authority's decision-making body (voting members of Cabinet).

3.11 The Constitution sets out arrangements to ensure the effective conduct of the Combined Authority's business in this spirit of collaboration, mutual respect and transparency. All members strive to work on the basis of consensus, taking decisions through agreement. The Constitution requires Strategic Plans and the Investment Plan / Fund decisions to be by consensus agreement. These principles apply irrespective of the statutory basis for the exercise of those powers: whether through the powers and responsibilities of the Mayor, the Combined Authority, or the Local Enterprise Partnership. The powers of the Mayor are to be exercised through collaboration within the Combined Authority's Cabinet, and in partnership with all relevant stakeholders.

- 3.12 The Mayor's term of office is initially for three years with the next election in May 2020 and then every four years.

The Role of the Local Authority Leaders

- 3.13 Leadership of the Combined Authority is driven by the Mayor and the five local authority leaders. The local authority leaders, represent the views of their constituent authorities at the Combined Authority Cabinet whilst putting the needs and opportunities of the Tees Valley at the forefront of all decisions. In addition, they each take a portfolio lead covering the growth themes within the Strategic Economic Plan and the Tees Valley Investment Plan. These portfolio lead roles are reviewed annually and are confirmed at the Combined Authority AGM.

Tees Valley Local Enterprise Partnership

- 3.14 Tees Valley is a well-established and successful functioning economic area. This was recognised by government in establishing the Mayoral Combined Authority in 2016, covering the same geography as the Local Enterprise Partnership and which has led to the Local Enterprise Partnership being fully integrated within the Combined Authority. There are no dependencies with other Local Enterprise Partnerships. However, Tees Valley actively collaborates with areas beyond its boundaries where there are synergies and added value.
- 3.15 The Tees Valley Local Enterprise Partnership is the principal forum for collaboration between the public and private sectors, for improving the economy of the Tees Valley. The membership of the Local Enterprise Partnership (set out in more detail below) mirrors the Combined Authority Cabinet. The private sector Local Enterprise Partnership members are responsible for ensuring that Tees Valley strategy and policy development and investment decisions are informed by the views of the business community. The Local Enterprise Partnership leads on engaging with local businesses and understanding the needs of different sectors and markets.
- 3.16 The other public and private sector members of the Local Enterprise Partnership support the Combined Authority's work by:
- Supporting and offering advice to the Combined Authority on their responsibilities;
 - Championing and promoting specific initiatives from the perspective of business;
 - Participating in Thematic Working Groups, as appropriate;
 - Influencing the development of the Combined Authority's strategies and policies;
 - Representing the Tees Valley nationally and internationally;
 - Ensuring a strong business influence over decision-making; and
 - Supporting the development and delivery of the Strategic Economic Plan.

- 3.17 Tees Valley is an active member of the national Local Enterprise Partnership Network and will continue to be so. This includes participation in both Local Enterprise Partnership Chair and officer level meetings.
- 3.18 Like the local authority leaders, private sector Local Enterprise Partnership members are nominated to a portfolio role which is reviewed annually and confirmed at the Combined Authority AGM.
- 3.19 In addition to attending the informal and formal Combined Authority Cabinet meetings, the full Local Enterprise Partnership membership meets in advance of the Combined Authority meetings to discuss items that are progressing to the Cabinet and to help shape strategy, policy and delivery, including influencing investment decisions. If considered appropriate the Local Enterprise Partnership Chair can also hold sessions of just the private sector members to discuss any items where it is felt appropriate without public sector members in attendance.
- 3.20 The other public and private sector members also have portfolio roles linked to their areas of expertise and interest. These are identified on the Combined Authority website.

Membership of the LEP

- 3.21 The Tees Valley Local Enterprise Partnership has been reviewing its membership in response to the national LEP review (Mary Nay, 2017) and government's response "Strengthened Local Enterprise Partnerships" (July 2018). The current membership (January 2019) comprises 21 members. This includes 14 representatives from the private sector (including the Higher Education and Further Education sectors as defined by government) and 7 representatives from the public sector (the Combined Authority Mayor, 5 Local Authority Leaders and an NHS Trust representative – as a major employer).
- 3.22 The Combined Authority Constitution sets out the role of the Local Enterprise Partnership within the Combined Authority, the principles of membership and the terms of office. The Mayor and the five local authority leaders are determined by democratic elections and therefore, are outside of the Local Enterprise Partnership's control. For other public and private sector members of the Local Enterprise Partnership the term of office is a two year period (from appointment) with the option to extend for a further two years.
- 3.23 "Strengthened Local Enterprise Partnerships" stipulated a maximum membership of 20 members with 2/3rds from the private sector and to aim to have a 50/50 gender balance by 2023. The initial two year term of office for several of the existing members ends in May 2019 at which point we will reduce the membership to 20. In considering the review guidance the Combined Authority agreed (at its meeting in September 2018) that it would aim to have a 50/50 gender balance by 2020. This reflects the Combined Authority's commitment to diversity ([INSERT LINK](#)) which is not just about the gender balance but ensuring that the Combined Authority is reflective of the local community. The Combined Authority commissioned an Overview and Scrutiny review of equality and diversity within the Combined Authority and its constituent local authorities. As an integrated Local Enterprise Partnership this has included a review of the Local Enterprise Partnership. The Overview and Scrutiny Committee will present its findings and recommendations at the Combined Authority Cabinet in May 2019.

- 3.24 The end of the two year term for the majority of private sector members in May 2019 provides the opportunity to address the national requirements. Addressing the gender balance has been a concern of the Combined Authority before the national review and positive actions have been put in place to recruit more female members, with three new female members joining in 2018. Changes will be made to the Constitution to reflect the new arrangements. Proposed revisions to the Constitution will be taken to Cabinet for approval at the AGM in May 2019. This is in keeping with our established governance arrangements. In accordance with the recommendation in the Local Enterprise Partnership Review, a process for the appointment of a private sector Local Enterprise Partnership Chair has been agreed (**INSERT LINK TO PROCESS**) and will be incorporated in the Combined Authority Constitution to be agreed at the Annual General Meeting May 2019. The process has been developed in consultation with businesses, including existing Local Enterprise Partnership members and the wider Business Engagement Forum. It has also drawn on best practice from other areas.
- 3.25 The appointment of a Deputy Chair for the Local Enterprise Partnership was agreed in 2018. (**CLICK HERE**) <https://teesvalley-ca.gov.uk/lep/>. The Deputy Chair is appointed from the current private sector members. The role of Deputy Chair is held for a standard duration of two years with the option to extend the tenure for a further two years only (this will be dependent on the period of membership that the individual has remaining, as an individual can only act as Deputy Chair if they are a serving member of the LEP). This will also be reflected in the Combined Authority Constitution in May 2019.
- 3.26 Public sector members of the Local Enterprise Partnership are confirmed annually at the Combined Authority's AGM following the local council elections, with the timing of elections varying across the Tees Valley.
- 3.27 Several private sector members are from the SME community and have expertise and knowledge of our key sectors. These details together with the members' contact details will be published on the website to enable other businesses to contact the appropriate member for their query or to enable them to raise an issue. A response to 'How are SMEs represented on the LEP?' can be found at: (**INSERT AS LINK**) <https://teesvalley-ca.gov.uk/about/faqs/>. The areas of interest and specialisms will be identified for all Local Enterprise Partnership members and published alongside the members' biographies on the Combined Authority website. This will include designated SME representatives.
- 3.28 All appointments for private sector Local Enterprise Partnership members are made through an open, transparent, competitive and non-discriminatory process using application forms and interview to judge experience, suitability and fit. When vacancies become available for private sector Local Enterprise Partnership members, they are advertised on the Combined Authority website. They appear on the job vacancies page and are shown as an open call for business champions to help deliver our economic plans. In addition social media is used to raise awareness of the opportunities, particularly among under-represented groups. A recruitment panel (including the Tees Valley Mayor and Local Enterprise Partnership Chair) assesses applications received and makes a recommendation to the Combined Authority Cabinet for approval of appointments.
- 3.29 There is an exception to the process for appointing private sector representatives from Higher Education and Further Education. Following the revised Assurance Framework Guidance (January 2019), Higher Education and Further Education will represent the private sector on the Local Enterprise Partnership. Representatives from these areas are put forward by Teesside University (Vice Chancellor) and a

representative from the Further Education Colleges operating in Tees Valley. Appointments are confirmed annually at the Combined Authority AGM.

- 3.30 All Local Enterprise Partnership members (public and private) are expected to conduct themselves in accordance with The 7 principles of public life. This is set out under the Code of Conduct detailed at appendix viii in the Combined Authority Constitution and provided to all new Local Enterprise Partnership members in their induction information ([INSERT LINK](#)). This induction information is reviewed on a regular basis with feedback from new members.

Wider Business and Public Engagement

- 3.31 The Combined Authority and Local Enterprise Partnership recognise that the private sector members cannot represent the views of the 17,230 business in Tees Valley. Therefore a variety of engagement mechanisms are utilised to ensure that the broader business community has the ability to influence strategy and policy development, our investment priorities and to be actively engaged in the delivery of some of our activities, particularly around supporting careers development with schools. This includes a Business Engagement Forum, currently made up of ninety one businesses, who receive regular information from the Combined Authority and are invited to participate in strategy and policy development, such as the development of our emerging Local Industrial Strategy, and shaping delivery methods, and are consulted on plans and strategies.
- 3.32 Strategy and policy documents are developed through engagement with partners and key stakeholders and are subject to consultation. Each consultation will vary depending on the topic but will meet any statutory requirements. However, drafts are formally considered in public at the Combined Authority Cabinet with papers published in advance of the meeting. Additionally, all consultations are published on the Combined Authority website.

Decision Making for the Tees Valley Investment Fund

- 3.33 Tees Valley Combined Authority is its own Accountable Body for all funds received by government and is the Accountable Body for the Local Enterprise Partnership.
- 3.34 The Tees Valley Combined Authority Constitution March 2018 ([link](#)) sets out the basis of how decisions will be taken within our Combined Authority, in keeping with principles of democracy and transparency and with effective and efficient decision-making. The Constitution is being reviewed to ensure that it is up to date and takes on board the changes relating to the Local Enterprise Partnership as a result of the national Local Enterprise Partnership review. The revised Constitution will be considered at the Combined Authority Cabinet Annual General Meeting on 31st May 2019.
- 3.35 In summary our decision making process and governance for the Tees Valley Investment Fund as set out in the Tees Valley Ten Year Investment Plan 2019-29 is as follows:

Strategic Economic Planning and Investment Planning

- The Combined Authority **Cabinet** provides the overall strategic direction for economic growth in Tees Valley - **approves the Strategic Economic Plan and associated thematic strategies and plans;**
- The Combined Authority **Cabinet** sets out the investment priorities for the Tees Valley Investment Fund - **approves the Tees Valley 10 Year Investment Plan**, including:
- thematic allocations and
 1. named prioritised projects (identified in bold italics in the Investment Plan);
 2. named projects / programmes without allocations agreed in the Investment Plan

Decision process for 1. named prioritised projects (identified in bold italics in the Investment Plan) – to be taken to full business case and due diligence

- For these programmes / projects the Combined Authority Cabinet has already agreed that the activity fits with our strategic objectives and has agreed a funding allocation to the activity. The detailed consideration of whether the programme / project represents value for money, has realistic delivery timescales and processes, will deliver the outputs and outcomes that we require etc. is undertaken through the development of a **Business Case** (see section x).
- This is then appraised by Combined Authority staff (with external technical support if required). Consideration of **business cases and the appraisal is delegated to the Combined Authority Chief Executive for approval in consultation with Tees Valley Management Group, the Section 73 Officer and the Monitoring Officer** (unless the funding request exceeds the allocated funding in the Investment Plan by 10% or more). In the event the funding requested exceeds the original allocation by 10% or more the decision is referred to the Combined Authority Cabinet as this would have implications for the Investment Plan (with a recommendation provided by the Chief Executive on behalf of the Management Group, Mayor and Portfolio Holder);
- Decisions taken under delegation are reported to the Combined Authority Cabinet for information and to Overview & Scrutiny (all decisions are subject to the Overview & Scrutiny call in procedures).
- In considering the appraisal recommendations (including any conditions) on business cases the following supporting information will be provided:
 - The business case; and
 - The completed appraisal document
- Business cases and appraisal documentation will be published on the Combined Authority website.
- Consideration of expenditure in advance of business case approval is delegated to the Combined Authority Chief Executive in liaison with the Mayor and the thematic portfolio holder.

Decision process for 2. named programmes / projects without allocations agreed in the Investment Plan

- A Project Initiation Document will be required for programmes and projects that do not have a specific funding allocation identified within the Investment Plan. This will provide a brief description of the project, outputs, funding required and the timescales for delivery and will be prepared by the Combined Authority staff in consultation with and agreed with the project sponsor. (see section x).
- The Project Initiation Document will be used for Investment Planning purposes to enable more informed financial and output profiling across the initial four years (in line with the Medium Term Financial Plan) to be prepared. Once the Project Initiation Document is in place the Combined Authority will timetable in support for

- the development of the business case and appraisal and will work with the project sponsor to achieve the project timescales.
- If the project is ready to go straight to business case development and the delivery timescales are such that it is appropriate to do so the Combined Authority and project sponsor can agree to miss out the Project Initiation Document phase and go straight to Business Case development.
 - Once the project has progressed to Business Case and the appraisal has been completed the Combined Authority Chief Executive will report to Cabinet with a recommendation on the programme / project for Cabinet consideration / decision.
 - In considering the appraisal recommendations (including any conditions) on business cases the following supporting information will be provided:
 - The business case; and
 - The completed appraisal document
 - Business cases and appraisal documentation will be published on the Combined Authority website.

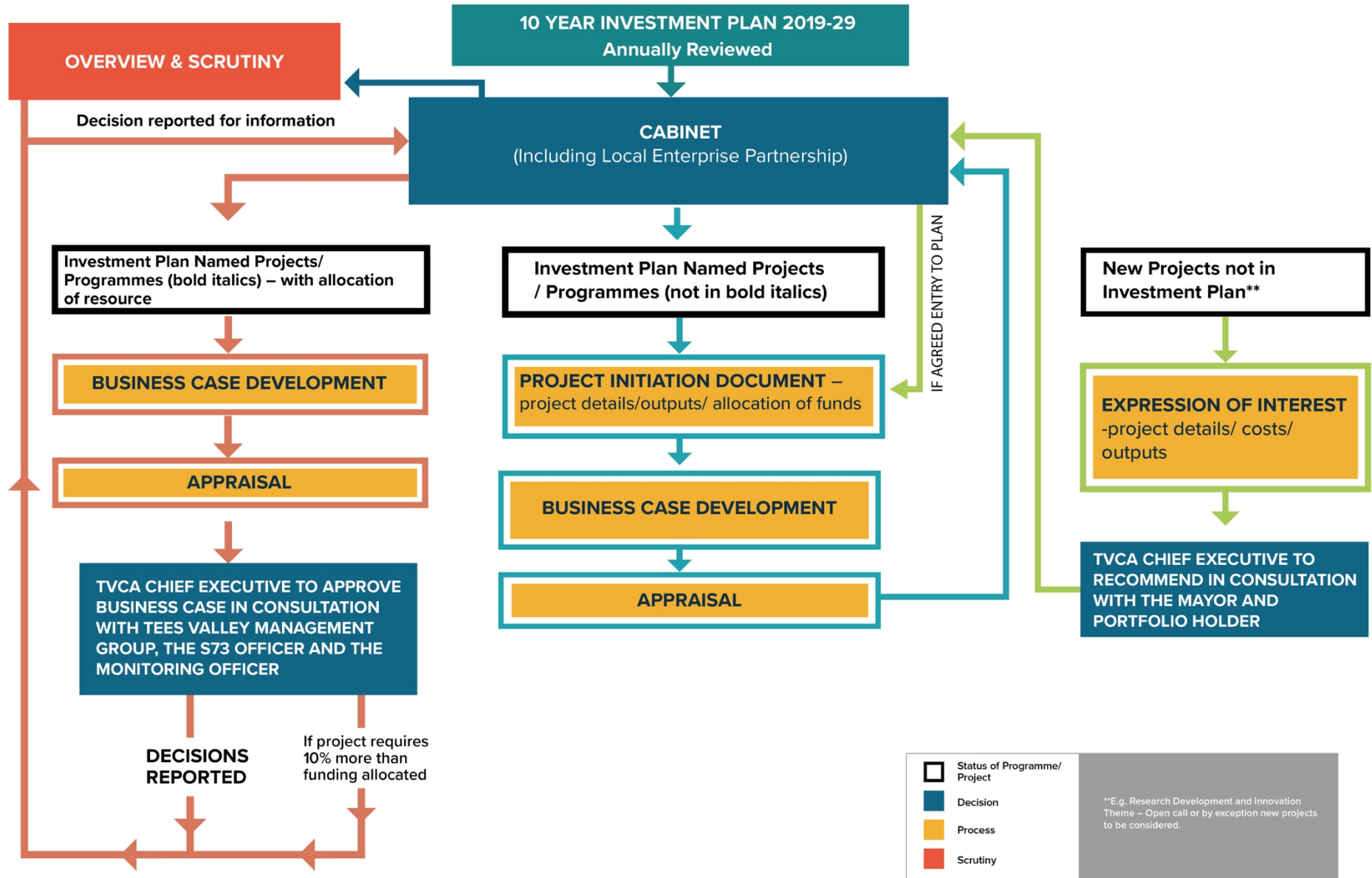
Decision process for new programmes / projects not in the Investment Plan

- With a ten year Investment Plan new opportunities or challenges will arise and programmes / projects to address them will need to be considered. If they cannot be accommodated within an existing Investment Plan programme they will need to be considered by Cabinet for entry to the Investment Plan.
- An Expression of Interest will be submitted to the Combined Authority. This will then be considered by the Combined Authority Chief Executive, in consultation with the Tees Valley Management Group, the Mayor and the appropriate Thematic Portfolio Holder. All Expressions of Interest will be reported to the Combined Authority Cabinet with a recommendation on whether or not to accept it into the Investment Plan.
- Those that are accepted into the Investment Plan would then proceed to follow the Project Initiation Document through to Business Case development and be taken to the Combined Authority Cabinet for decision.

Additional Delegations

- The Chief Executive has delegated authority to authorise expenditure up to £1m in consultation with the Mayor and the relevant portfolio holder;
- 3.36 All decisions taken by the Combined Authority Cabinet and those taken under delegated arrangements are published within two working days of being made and the Overview and Scrutiny Committee are sent a copy of all such decisions at the same time and have the ability to call in decisions for review and scrutiny; and
- 3.37 If a decision is taken that does not meet the Assurance Framework it will render the decision invalid on the basis of non-compliance.
- 3.38 This decision making process and governance arrangements are illustrated in the diagram below.

DECISION MAKING



Role of the Tees Valley Management Group

- 3.39 The Tees Valley Management Group is made up of members of the Combined Authority's Senior Leadership Team (Chief Executive and Directors) and the Directors of Economic Growth / Regeneration from the five constituent Local Authorities. The Management Group meets twice a month and has an oversight role of the work of the Combined Authority, in particular the thematic advisory groups and it also constitutes the Place Advisory Group (see below).
- 3.40 As detailed above the Chief Executive is delegated to approve business cases (for those programmes and projects identified in bold italics in the Investment Plan), in consultation with the Tees Valley Management Group, the S73 Officer and the Monitoring Officer, for programmes and projects, unless they exceed the agreed funding allocation by 10% or more. In this case they will be considered by the Combined Authority Chief Executive, in consultation with the Tees Valley Management Group and a recommendation will be made to the Combined Authority Cabinet by the Chief Executive.

Thematic Advisory Groups

- 3.41 The Combined Authority utilises Thematic Advisory Groups made up of appropriate stakeholders from across Tees Valley and where appropriate including representation from the broader North East, north or national geographies. These thematic groups reflect the Strategic Economic Plan and Investment Plan growth themes. The membership of these groups are reviewed annually and are agreed at the Combined Authority AGM. These are not statutory or decision making groups and are therefore not detailed in the combined Authority Constitution. These groups ensure that the Combined Authority's strategies, policies and investment plans are developed with a broad range of local stakeholders and delivery bodies that are involved in the theme, together with other statutory bodies and government officials. These groups support the development of strategies, plans and proposals for delivery which then feed up through the Governance mechanisms towards the Combined Authority Cabinet for approval.
- 3.42 As detailed in the previous sections both the Cabinet local authority leaders and the private sector members have thematic portfolio leads and are involved in the Advisory Groups. **Details of the Advisory Groups, including current membership can be found on the Combined Authority website (INSERT LINK).**

Decision Making for the Adult Education Budget

- 3.43 Investment decisions on the use of the Adult Education Budget will be made with full consideration to the statutory entitlements:
- English and maths, up to and including level 2, for individuals aged 19 and over, who have not previously attained a GCSE grade A* to C or grade 4, or higher, and /or
 - First full qualification at Level 2 for individuals aged 19 to 23, and / or
 - First full qualification at level 3 for individuals aged 19 to 23

- 3.44 The Combined Authority submitted its Strategic Skills Plan to government in May 2018 as part of the readiness conditions requirements set by the Department for Education. Further iterations have been shared with the Department for Education, and the current version is available on our website at <https://teesvalley-ca.gov.uk/wp-content/uploads/2018/11/AEB-brochure.pdf>
- 3.45 It is anticipated that further work will be undertaken with key stakeholders to develop this plan and further iterations will also be published. Local and national partners have been fully engaged throughout the development phase for the processes and priorities for the funding award and during the funding award phase. This has included providing regular communications via our website, hosting two strategic events for all local and national providers, and implementing a Steering Group that met regularly during 2017 and 2018. The Steering Group comprised local Further Education and local authority providers, the Education and Skills Funding Agency and the Association of Colleges. In addition the Combined Authority attended meetings of the Tees Valley Independent Training Providers Network to engage with and consult on implementation plans.
- 3.46 The Combined Authority's Cabinet will be the final decision making body for funding awards. A grant commissioning process was launched on 1st December 2018 and closed on 1st February 2019. Appraisals were carried out on the submitted delivery plans requesting funding by the Combined Authority appraisal officers and policy officers. A moderation panel of internal senior managers considered recommendations and final recommendations for approval will be submitted to Cabinet in May 2019. The appraisal approach for the Adult Education Budget is consistent with that for the Combined Authority Investment Fund as detailed in [Section X](#).
- 3.47 During the funding award process a web enabled portal has included the ability for all potential providers to submit questions. These have been developed into a Q+A section on the portal so that the same information is available to all potential providers.

Statutory Committees

- 3.48 As a Mayoral Combined Authority we are constitutionally required to have the following Committees within our Governance structures:
- **Overview & Scrutiny Committee:** Reviews decisions made, to ensure they meet the needs of the people of the Tees Valley and are made in line with our agreed policies, making recommendations where necessary. It has the power to “call in” and delay the implementation of decisions made by Cabinet. The membership of the Committee comprises fifteen members, three nominated from each of the Constituent Authorities. Members of the Committee appointed reflect, so far as reasonably practicable, the balance of political parties for the time being prevailing among members of the Constituent Authorities collectively.
 - **Audit & Governance Committee:** Ensures we are spending public money properly and have the right systems in place to manage our finances correctly and meet our legal and regulatory responsibilities. The Committee also reviews the corporate risk register on a quarterly basis. The membership of the Committee is one member from each Constituent Authority. Members of the Committee appointed reflect, so far as reasonably practicable, the balance

of political parties for the time being prevailing among members of the Constituent Authorities collectively.

- **Transport Committee:** Reviews our transport strategy and policy, reviews local transport services and oversees our representation on external transport bodies. The membership of the Committee is the executive members with political responsibility for transport within each Constituent Authority. It is Chaired by the Combined Authority Cabinet member for transport.

3.49 The terms of reference and membership of these Committees is detailed in the Combined Authority Constitution.

The Role of the Statutory Officers

3.50 The Combined Authority appoints four Statutory Officers who each have a formal role of discharging the duties and obligations on its behalf. The roles are detailed in the Combined Authority Constitution but briefly comprise:

- **Head of Paid Service** – The TVCA Chief Executive fulfils the role of the Head of Paid Service. The Head of Paid Service discharges the functions in relation to the Combined Authority as set out in section 4, Local Government and Housing Act 1989 and act as the principal advisor to the LEP.
- **Section 73 Officer** – The Finance Director fulfils the role of Section 73 Officer in accordance with the Local Government Act 1985 to administer the financial affairs of the Combined Authority and LEP. The Section 73 Officer is responsible for providing the final sign off for funding decisions. The Section 73 Officer will provide a letter of assurance to government by 28th February each year regarding the appropriate administration of government funds under the Tees Valley Investment Fund.
- **Monitoring Officer** – The Monitoring Officer fulfils their role in accordance with the Local Government Act 1972 to administer the Legal duties of the Combined Authority and LEP.
- **Scrutiny Officer** – to promote the role of and provide support to the Overview and Scrutiny Committee.

3.51 In addition to these statutory roles the Combined Authority has nominated officers to ensure that we meet our obligations under the Data Protection Act 2018 and information governance. These are:

- **Senior Information Risk Officer (SIRO)** - The SIRO is the officer responsible in the Combined Authority for Information Governance. The SIRO is responsible for the Strategy, acts as an advocate for good practice and is required to provide a statement of assurance as part of the Combined Authority's Annual Governance Statement.
- **Data Protection Officer** – to provide advice and guidance on the Data Protection Act 2018.

3.52 All six appointments are agreed annually at the Combined Authority AGM.

Supporting Policies and Procedures

Working Arrangements, Meeting Frequency and Transparency

3.53 The Combined Authority is subject to a robust transparency and local engagement regime aligned to that of its constituent Local Authorities. The Combined Authority's constitution includes a publication scheme, which sets out how agendas, minutes and papers will be made available to the public and when. It also set out any exceptions to the standard scheme.

3.54 The Combined Authority Cabinet:

- is subject to the Transparency Code applied to local authorities;
- will ensure all meetings of the Combined Authority Cabinet and other statutory committees are open to the public and appropriately accessible;
- will make sure all meeting agendas, papers (when not exempt), and minutes are published on the Combined Authority website, within the minimum statutory timescales – an agenda will be published five clear working days before the meeting. Draft minutes will be published within ten clear working days of the meeting taking place and final minutes within ten clear days of approval.
- will make clear the approach to making investment decisions on the Combined Authority website;
- all business cases over £5m are published on the Combined Authority website;
- will publish (online) all funding decisions, including funding levels;
- will receive regular dedicated updates on Investment Plan performance, which are published as dedicated papers for Combined Authority meetings - details of project progress – with links to the key documents for each project, are made available in an easily accessible / searchable way on the Combined Authority website; and
- as the accountable body for Local Enterprise Partnership funding will hold a record of all relevant documentation relating to this government funding allocated to the area.

3.55 For ease of access the Combined Authority website has a transparency section and a separate meetings section which contain all information on the Combined Authority governance arrangements, agendas and papers and the Combined Authority Cabinet Forward Plan.

3.56 The Combined Authority Cabinet meets every two months but additional meetings are arranged where the need arises. The Combined Authority publishes a Forward Plan on the Combined Authority website, which is a legally-required and published statement of key decisions we plan to take over the next **four months**. Confirmed items are published **28 days** in advance of a decision with indicative items listed for the following three-month period.

- 3.57 In addition to the Combined Authority Cabinet and informal meetings, the Local Enterprise Partnership meets every month. These monthly Local Enterprise Partnership meetings are not held in public and it enables commercially confidential items to be discussed and for open and frank exchanges of information and views to be expressed that might not otherwise be expressed in an open forum. This forms an important element within the Combined Authority governance arrangements. Minutes of these meetings will be published on the Combined Authority website in line with our publication procedures.
- 3.58 The Combined Authority believes in transparency and operates on the principle of making as much information publically available as possible. However, very occasionally it may be necessary for specific details of an item on the Forward Plan to remain confidential, for example if they relate to information about particular individuals, ongoing legal proceedings or are commercially sensitive. In this instance, the item must still appear on the Forward Plan, which will state that this item is confidential as it will involve the disclosure of exempt information as defined in the relevant **paragraph of part 1 of schedule 12A to the Local Government Act 1972**.
- 3.59 Information regarding activity being undertaken by the Combined Authority is available on the website. This includes the publication of key documents such as the Strategic Economic Plan, the Tees Valley Investment Plan 2019-29, and the Combined Authority Local Assurance Framework, as well as details of a regular programme of events to provide ongoing engagement with public and private partners across the Tees Valley area. Regular news updates on activity underway are also provided through dedicated pages on social media outlets including LinkedIn, Twitter and Facebook. Additionally, when investment decisions are taken they are published through the use of press releases and social media.

Publication of Financial Information

- 3.60 The Combined Authority is subject to the same financial arrangements as a Local Authority and is legally required to publish its annual accounts, external audit letter and annual governance statement by the end of July each year. The required information is considered first by the Audit and Governance Committee, and is then approved formally by the CA Cabinet, prior to publication. The annual governance statement is signed by the Mayor, LEP Chair and the Chief Executive for the Combined Authority. It is also used as part of the Annual Conversation each year, to supplement the information provided and discussed on governance arrangements.

Remuneration and Expenses

- 3.61 The Combined Authority publishes information on the following on its website (LINK):
- Confirmation of the allowance payable to the Mayor (agreed annually by the Cabinet);
 - Members' expenses scheme (agreed annually by Cabinet);
 - Confirmation of expenses paid to Members (published annually);
 - Salaries of senior officers earning more than £50,000k (published annually);
 - The Pay Policy Statement for the CA (agreed annually by Cabinet).

Freedom of Information

3.62 The Combined Authority is subject to the Freedom of Information Act 2005 and the Environmental Impact Regulations 2004. As Accountable Body for the Local Enterprise Partnership the Combined Authority will also fulfil these functions on behalf of the Local Enterprise Partnership. The Combined Authority will hold records and will be the focal point for statutory information requests. Applicants are made aware of their right to access information through the Combined Authority, which will deal with the request in accordance with the relevant legislation. As set out in this section, the Combined Authority aims to publish as much information as possible so that Freedom of Information requests are less necessary. [\(Link to policy\)](#)

Conflicts of Interest

3.63 The Combined Authority has a conflict of interest policy, which is available online at [\(INSERT LINK\)](#). This policy applies to all members of the Combined Authority (incorporating the Local Enterprise Partnership) and all members of the Combined Authority governance mechanisms, including the Tees Valley Management Group and the Thematic Advisory Groups.

3.64 Each member of the Combined Authority is also required to complete a written declaration of interest for the purposes of their organisations and their individual personal interests covering a broad range of activities / ownership. Individual declarations of interest forms are completed annually following members' appointment at the Combined Authority AGM. The register of interests [\(INSERT LINK\)](#) is published on Combined Authority website. However, recognising that these might change during the year and to ensure that individuals are not playing a role in decision making when they are conflicted, declarations of interest are requested at the start of each meeting, and declared and recorded within the minutes. The register of interests are updated, as appropriate, following each Combined Authority meeting.

Gifts and Hospitality

3.65 The Combined Authority has a procedure for the declaration of gifts and hospitality which applies to both members and officers [\(INSERT LINK\)](#). All offers of gifts and hospitality of £25.00 or more in value, including any offers of sponsorship for training or development, whether or not they are accepted, must be recorded promptly (and by no later than 28 days from the date of the offer) in a register held by the Combined Authority.

Complaints and Whistleblowing

3.66 If it is alleged that the Combined Authority is (a) acting in breach of the law, (b) failing to adhere to its framework, or (c) failing to safeguard public funds, complaints (from stakeholders, members of the public or internal whistleblowers) are to be directed to the Combined Authority's Monitoring Officer or the Governance Manager. They will address the allegation following the protocols set out in the Combined Authority's Constitution and detailed policy which is provided on the Combined Authority website. Anonymous reporting is also covered in the policy.

3.67 Where the Combined Authority cannot resolve the issue locally to the complainant's satisfaction, and the matter relates to the Tees Valley's Single Pot funding, the issue

may be passed to the Ministry of Housing, Communities and Local Government for Communities and Local Government (MHCLG) or other relevant departments, such as the Department for Transport (DfT), as appropriate to the complaint in question. If the complainant is not satisfied with the response they can raise it with the Local Government Ombudsman.

3.68 The above complaints and whistleblowing procedures are set out in detail at [\(Link to 2 separate policies on website\)](#).

Diversity Statement

3.69 As detailed previously the Combined Authority is fully committed to diversity and equality. This commitment is set out in our Diversity Statement. [\(INSERT LINK\)](#).

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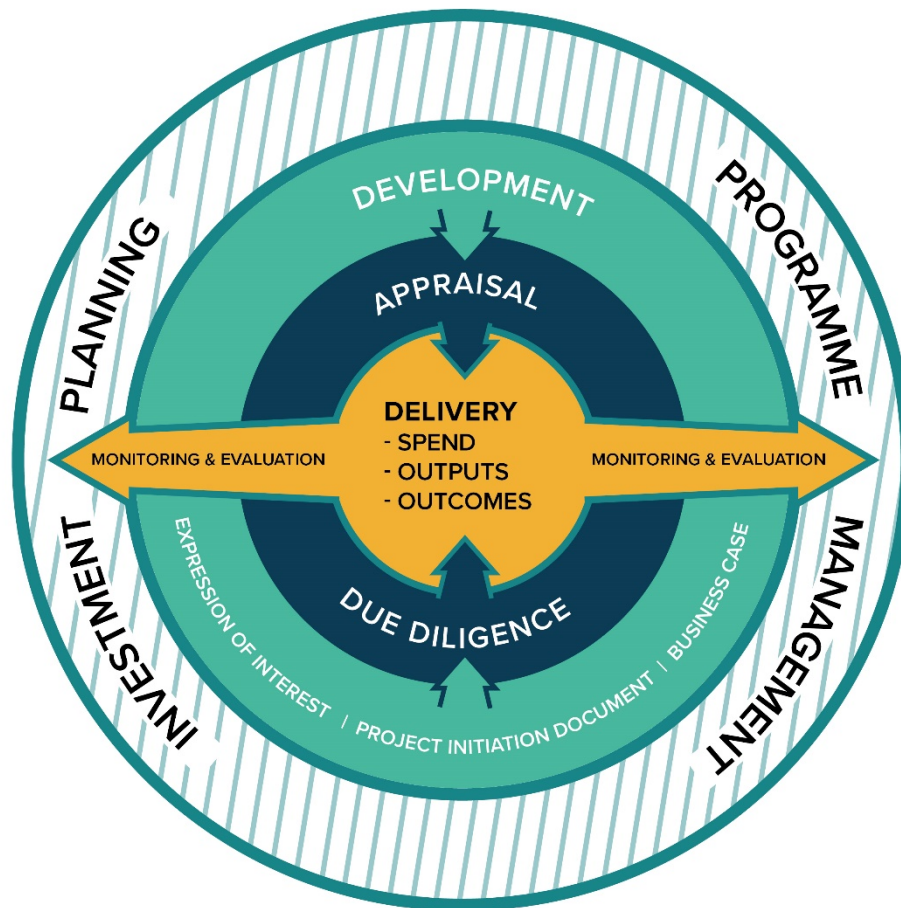
4. Robust Decision Making

Principles

4.1 This section details the processes and procedures that are in place to ensure we make robust investment decisions. These are in addition to those identified in the Accountability, Openness and Transparency section above. The processes and procedures will:

- Achieve best value in spending public money - recognising that sometimes the best investments offer long-term outcomes - with the expectation that only in exceptional circumstances will proposed investments not offer at least 'good' value for money – i.e. a benefit cost ratio (BCR) of at least 2 for transport schemes or appropriate public sector cost per job / Gross Value Added, and in all cases the benefits exceed the cost of intervention over the projected timeframe;
- Ensure an appropriate separation between project development and project appraisal;
- Appraise projects in a way which is consistent with the Green Book 'five cases' model and proportionate to the funding ask in terms of processes required;
- Ensure that the money spent results in delivery of outputs and outcomes in a timely fashion, and in accordance with the conditions placed on each investment, and by actively managing the Investment Fund to respond to changing circumstances (for example, scheme slippage, scheme alteration, cost increases etc.);
- Implement effective evaluation to demonstrate where programmes and projects have achieved their stated aims and using feedback appropriately to refine the priorities and the decision-making process; and
- Ensure that the use of resources is subject to the usual local authority checks and balances as well as normal local government audit accounting and scrutiny requirements.

4.2 The diagram below illustrates the process of investment planning and programme management for the Investment Fund, with the stages for programme and project development through to appraisal delivery and monitoring and evaluation. Further detail on each stage can be found below.



Prioritisation of the Investment Fund / Programmes and Projects

- 4.3 The Combined Authority approved the ten year Investment Plan 2019-2029 in January 2019. The Plan outlines the thematic allocations across a £588.2m Investment Fund over the ten year period. These allocations are based on strategic need and opportunity and the outcomes that the area need to be delivered, to achieve our Strategic Economic Plan outcomes through a series of key transformational investment projects and programmes. The allocations were determined using both a bottom-up (project demand / need) and a top-down strategic view.
- 4.4 The ten year Investment Plan is to be reviewed annually to reflect any changes in the local environment, new opportunities and challenges, together with lessons learnt from monitoring and evaluation of activity and good practice from elsewhere.
- 4.5 Programme and project prioritisation is based on those schemes which can contribute the most to the growth of the economy, deliver outputs aligned to the SEP objectives and provide good value for money and to do this in a way that is objective, consistent and transparent.
- 4.6 The process is founded on the principles of HM Government Green Book and prevailing guidance for the type of investment that is to be made. The process for prioritisation was agreed by the Combined Authority Cabinet at an informal meeting during 2018.

Investment Planning

- 4.7 The Combined Authority Investment Planning Team will work with colleagues in the delivery and monitoring and evaluation team to prepare monthly investment plan performance reports. These will monitor the Plan's performance at the overall plan level, at the thematic level and will report by exception the highlights (good news and bad news) about programme and project performance.
- 4.8 This performance information will enable the Combined Authority to ensure that activity is on track and where it isn't put in place actions to address this. It will identify if programmes / projects are falling out of the Plan (for whatever reason), give consideration to deallocating resources linked to underperformance, and consider new activity to enter the Plan to replace any deallocations.

Process for Developing and Appraising Programmes and Projects

- 4.9 The decision making framework is set out in the previous sections. This section identifies how programmes and projects are developed and appraised within that decision making framework.

Separation of Development and Appraisal Functions

- 4.10 The responsibility for supporting programme and project sponsors (including the Combined Authority) to develop their proposals through to the appraisal process is separated within the Combined Authority functions. There are separate teams responsible for supporting programme and project sponsors to develop their proposals whilst a different team is responsible for the appraisal of programmes and projects.

Expressions of Interest / Open Calls

- 4.11 Expressions of interest are only required for programmes or projects that are not already covered by the Investment Plan. With the exception of the Research, Development and Innovation theme, most of the funding is already allocated to programmes and projects within the Investment Plan. Therefore, it is unlikely that there will be many Expressions of Interest (**INSERT TEMPLATE AND GUIDANCE**) in the first year of delivery, unless additional funding sources are secured. The Combined Authority might use an Open Call process where appropriate. An Open Call would be publicised on the Combined Authority website and promoted through the Innovation Advisory Group. The Combined Authority will not normally provide officer support for the development of Expressions of Interest at this stage. The appraisal of the Expressions of Interest will be coordinated by the Investment Planning team, with inputs from the appropriate policy lead, legal, procurement and financial officers.

Project Initiation Documents

- 4.12 Project Initiation Documents are required for programmes and projects that are named in the Investment Plan but do not have an agreed funding allocation and for those projects that have been accepted into the Investment Plan through the Expression of Interest route. The details in the Expression of Interest document may suffice for the Project Initiation Document but should be reviewed once it has been accepted into the Plan. The template for the Project Initiation Document can be found at [\(INSERT LINK TO TEMPLATE AND GUIDANCE\)](#). Once approved (through the decision process set out earlier) these documents are used to programme the Investment Plan expenditure, outputs and outcomes.
- 4.13 Both Expressions of Interest and Project Initiation Documents provide a first view of the 'how, what and when' the project will deliver against the Strategic Economic Plan and Ten Year Investment Plan 2019-29 outcomes. The Expression of Interest and Project Initiation Document will include:
- Project sponsor;
 - Project description including objectives and vision;
 - Project outputs and outcomes against the Strategic Economic Plan and Ten Year Investment Plan 2019-29;
 - High level timescales;
 - High level cost of project; and
 - Initial funding required, whether grant or commercial loan, any confirmed or unconfirmed match funding.

Business Cases

- 4.14 All programmes and projects with approved allocations within the Investment Plan or that have been approved in principle through the Expression of Interest or Project Initiation Document process are required to complete a detailed Business Case.
- 4.15 The Assurance Framework is designed to ensure that the appraisal and evaluation of programmes and projects is done in a way that is proportional to the relative size of the investment required. This is crucial so that project sponsors are not put off by an overly burdensome and costly application process when applying for a small amount of investment for a low value project.
- 4.16 Similarly, it is crucial so that large investments are scrutinised and tested appropriately. The Combined Authority's approach to proportionality is to build some flexibility into its funding application process by setting thresholds to determine the timescales involved and the information required. The thresholds are based on scale of funding and level of risk (assessed by degree of innovation):
- Comprehensive business case (£5m and above or programmes/projects classified as high risk); and
 - Proportional business case (Low risk and/or £5m or less).

4.17 The Business Case templates and guidance can be found at ([INSERT LINK TO TEMPLATE AND GUIDANCE](#)). This will be in line with the HM Treasury Green Book guidance and will include:

- Strategic case: contribution to Tees Valley strategic objectives and contribution to national policy objectives;
- Economic case: impact on local growth, plus social, distributional and environmental impacts, assessment of the value the project adds;
- Financial case: cost estimate and sources of funding e.g. identified scheme promoter, private sector and other contributions;
- Commercial case: proven market place for the project, certainty in outcomes, procurement processes and commercial viability; and
- Management Case: demonstrates the project is capable of being delivered successfully, including delivery plans, statutory processes, programme, risk management (with appropriate mitigation plans) and benefit realisation. Depending on the nature of the scheme, the Business Case document will also be required to meet with best practice in the relevant thematic area including any requirements of the appropriate government Department.

4.18 The Business Case is submitted to the Combined Authority, who review the funding source and provide an initial check as to which element of funding within the single pot would be most appropriate. The purpose of this is to provide a check to ensure that the funding requirements of the component elements of the Single Pot are being met, and also to enable the effects and outcomes of the component elements of funding within the Single Pot to be tracked.

4.19 The Business Case is then appraised with initial reviews by the relevant Policy Lead in the Combined Authority. Appraisal will be proportionate to either the estimated scale of budget and/or the level of innovation/risk associated with the programme and in line with established guidance, where appropriate, as set out by HM Government, including:

- HM Treasury Green Book;
- MHCLG Appraisal Guide;
- HM Treasury Magenta Book;
- Infrastructure UK Route map; and

4.20 Where a conflict of interest exists, full independent due diligence will be sought. Additionally, the Combined Authority will appoint an independent organisation, through appropriate procurement, to undertake external due diligence when required. The independent organisation works directly with the project applicant to undertake due diligence which then follows the decision making process detailed in [Section X](#).

4.21 In cases where the investment is to match central government funding, the assessment and due diligence will be undertaken by the relevant government department. The Combined Authority will in these cases, complete an Assurance Summary which sets out what assurance has taken place and this will be published on the Combined Authority website.

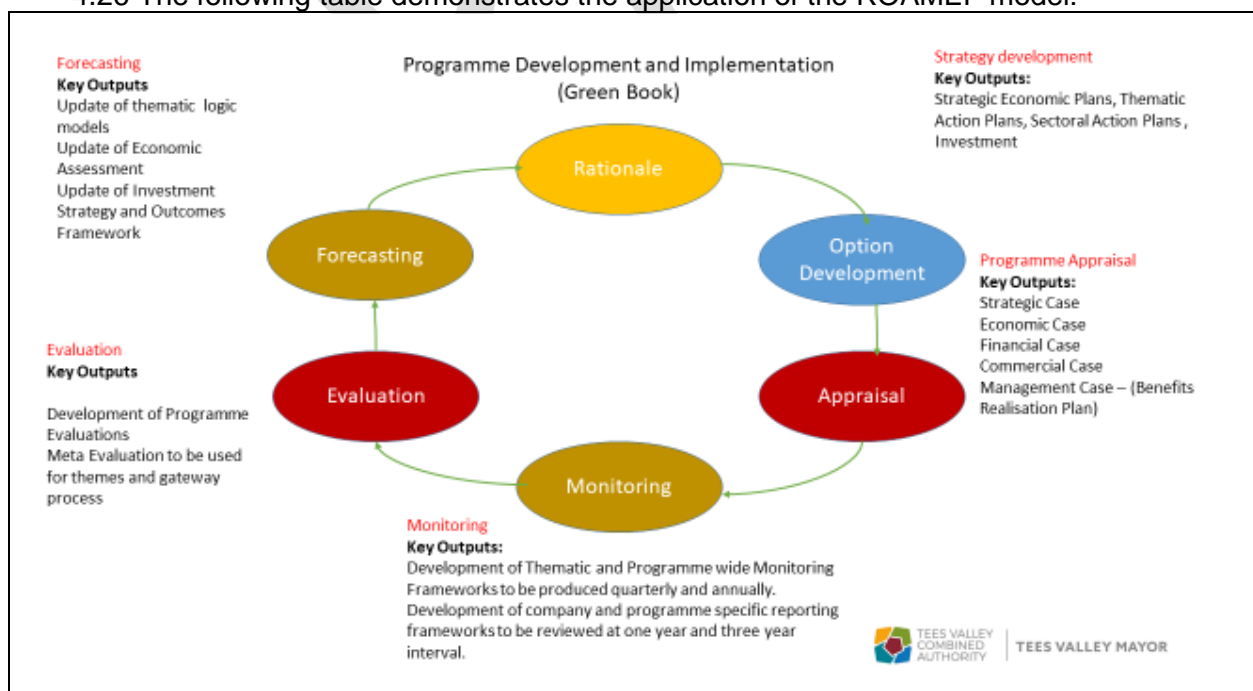
Relationship with Project Sponsors – Development to Decision

- 4.22 Throughout the development of Project Initiation Documents and Business Cases through the appraisal process the Combined Authority will keep in regular contact with project sponsors. A named development officer will be assigned to each programme / project and they will work with the project sponsor and keep in contact with them to gain any further information to feed into the appraisal process. If a Business Case is approved the Project Sponsor will be advised and the recommendations, including the appraisal summary, will be published on the TVCA website.
- 4.23 If the Business case is not approved the Project Sponsor will receive feedback. The decision made under delegation or through the Cabinet process is final and there is no appeal process. All decisions are subject to the scrutiny process as detailed in **section X**.

Ensuring Value for Money

- 4.24 The Combined Authority has developed this Assurance Framework in line with HM Treasury Green and Magenta Book Guidelines¹, specifically the whole life assessment of value for money across its entire portfolio of investment in line with the ROAMEF life cycle model².
- 4.25 As applied in the Tees Valley, the ROAMEF model not only stresses the importance of demonstrating the additionality and value for money of specific programmes/projects at key milestones in their own delivery, but also provides a critical means of assessing the complementarity and cumulative impact of the entire suite of support enabled by investment from the Combined Authority.

4.26 The following table demonstrates the application of the ROAMEF model:



¹ HM Treasury Green Book: Appraisal and Evaluation in Central Government, Treasury Guidance (2018)

² ROAMEF- Rationale, Option Development, Appraisal, Monitoring, Evaluation and Forecasting.

4.27 The key objective of the Assurance Framework is to support the Combined Authority to make judgements about the value for money of potential investments and to accept or reject investments accordingly. However, it is just one of a range of complementary strategic guidance developed by the Combined Authority to inform decision making and ensure value for money. The following table, identifies, describes and provides a relevance assessment for all complementary strategic guidance:

Document Name	Function	Date Published
Strategic Economic Plan 2016-2026 – The Industrial Strategy for the Tees Valley	<ul style="list-style-type: none"> • Key strategy document for the region. • Sets high level targets (jobs and GVA) for the Combined Authority and develops the rationale for intervention across the region (six themes and seven priority sectors) 	June 2016
Local Industrial Strategy	<ul style="list-style-type: none"> • With a particular focus on productivity the Local Industrial Strategy articulates how the region and its priority industries will contribute to the successful delivery of the UK Industrial Strategy and the key interventions necessary to enable productivity growth in Tees Valley. 	May 2019 (pending)
Sector Action Plans	<ul style="list-style-type: none"> • Provides a more granular evidence base and rationale for intervention across the area for the seven priority sectors. 	November 2017
Ten Year Investment Plan 2019-29	<ul style="list-style-type: none"> • Sets output targets both in terms of spend and impact for the six themes in the SEP. 	January 2019
Thematic Strategies and Action Plans	<ul style="list-style-type: none"> • Including Inspiring our Futures (Education, Employment and Skills) • Strategic Transport Plan • Culture Strategy 	2018 Pending Pending
Draft Monitoring and Evaluation Plan	<ul style="list-style-type: none"> • Provides for each theme a capital and revenue logic model including key market failures to be addressed, and a range of indicative activities, outputs, outcomes and impacts, tied back to the achievement of the key performance indicators specified in the SEP. 	February 2019 (updated annually)
Economic Assessment	<ul style="list-style-type: none"> • Provides the evidence base for the Local Industrial Strategy and the baseline information for all outputs and outcomes identified in the thematic logic models detailed in the draft monitoring and evaluation plan. 	March 2019 (updated annually)

4.28 This documentation is used as supporting evidence in the development of the Expressions of Interest, Project Initiation Documents, and the Business Cases. The Assurance Framework specifically assesses value for money using the following three criteria: Economy (i.e. minimisation of resource usage or “spending less”); Efficiency (i.e. the relative level of outputs and the resources used to produce them, or

“spending well”); and, Effectiveness (i.e. the relationship between the intended and actual results of public spending, or “spending wisely”).

Value for Money for Transport Schemes

4.29 For transport infrastructure schemes, the Department for Transport requirements will be met. This includes the use of WebTAG which will be applied proportionately, based on the cost of the scheme and the scale of the impacts. To facilitate this, an Appraisal Scoping Report will be developed, comprising:

- Level of analytical detail to be applied to approve a scheme against overarching government transport objectives (proportional to the scheme’s impact) and the rationale for this;
- Modelling tools to be applied;
- Alternative interventions to be considered; and
- Timescales for business case development.
- Transport requirements, including:
 - Use of WebTAG for all transport schemes (over £5m) by scheme promoters in business case development and by the organisation appointed to undertake independent due diligence is mandatory;
 - Use of NTEM (Department for Transport’s planning dataset) in scheme appraisal / due diligence;
 - Production of a value for money statement through the due diligence process (which is undertaken by an independent organisation), which will be in line with Department for Transport requirements and is signed off by the Combined Authority Chief Executive and the Section 73 officer (In the instance that this presents conflict of interest concerns, another senior officer, either from a constituent authority or a separate part of the Combined Authority, will sign off value for money statements);
- All transport schemes will represent at least high value for money (as defined by Department for Transport guidance), and this will be ensured through business case development and due diligence processes; and
- All transport schemes (over £5m) will have the economic case assessed at each approval stage.

Project Approval – Funding Agreement

4.30 Following approval of a Business Case it may be necessary to complete a range of statutory processes to ensure the project is actually ready to start. For example, planning permission, a Compulsory Purchase Order, or it may be necessary to satisfy a number of conditions agreed as part of the Business Case. Where this is the case, full approval to enter into a funding approval will be carried out as a separate stage. Due diligence of such processes / conditions will then be carried out by the

Investment Planning Team as required prior to the Combined Authority issuing a Funding Agreement letter (formal legal contract).

- 4.31 Funding agreement letters set out the monitoring, claims, branding (to meet the government branding for each element of funding within the Tees Valley Investment Fund) and evaluation requirements. Funding agreements also set out the clawback arrangements in the event of underperformance.

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5. Delivery Phase

Release of Funding, Cost Control and Contract Management

- 5.1 Once a formal funding agreement is in place the programme / project enters the delivery phase. Funding to project sponsors will be capped and any overspend beyond the approved amount needs to be met by the project sponsor.
- 5.2 The Combined Authority's Section 73 officer must certify that funding can be released under the appropriate conditions. Each funding claim is crosschecked against the approved project baseline information as part of the monthly reporting processes combined to quarterly claims. Payments will be released quarterly in arrears unless otherwise agreed.
- 5.3 A mechanism for 'claw-back' provision is in place (**INSERT LINK**) to ensure funding is only to be spent on the specified scheme and linked to delivery of outputs and outcomes. Payment milestones are agreed between the project sponsor and the Combined Authority based upon the complexity, cost and timescales of the scheme. This forms part of the programme management role of the Combined Authority, which is subject to external audit.

Performance Reporting

- 5.4 In line with reporting guidelines specified in the Monitoring and Evaluation Framework, Benefit Realisation Plans are prepared for all programmes and projects at the Business Case stage, detailing the mechanism, responsible officer and reporting frequency for all attributable outputs and outcomes. All programmes and projects are monitored (**see SECTION XX**) and monthly Investment Fund performance reports are considered by the Combined Authority Chief Executive with the Tees Valley Management Group, the Local Enterprise Partnership (monthly) and at each Combined Authority Cabinet. These performance reports detail the performance against spend and outputs / outcomes at the Investment Fund level, the thematic level and reporting by exception on projects (highlights including goods news and bad news) and consideration of the risk register for the Investment Fund. Any variation to the funding agreement needs to be agreed by the Combined Authority.

Risk Management

- 5.5 The Combined Authority has a comprehensive issue and risk management approach, (**INSERT LINK**) with risk identification, mitigation, escalation and reporting templates written into its Business Case Development Guidance. This has been developed in accordance with Government Green Book guidance and other project management guidance.
- 5.6 It is important that the level of risk taken on any project and programme is understood from an early stage alongside the associated cost implications. Through our robust approach to risk, the Combined Authority will reduce the need to de-scope schemes from the Investment Plan because of cost overruns. Project sponsors are required to include risk / contingency as part of funding requests, which should reduce as a proportion as the project case is developed.
- 5.7 Throughout the Investment Fund management lifecycle risk will be managed in accordance with the three-stage process illustrated below. A key element of our

approach is that all parties have a responsibility to contribute to the management of risk.



5.8 The corporate risk register ([INSERT LINK](#)) which incorporates the risks associated with the Investment Fund is reviewed monthly by the Combined Authority Senior Leadership Team and is considered by the Audit and Governance Committee quarterly.

5.9 Senior Officers of the Combined Authority (Chief Executive and Finance Director) are responsible for the identification and management of risk. As well as the Corporate Risk register a high-level risk register is maintained for the Investment Plan. The Investment Plan high-level risk register is used as the basis for discussions with our local Relationship Manager from the Cities and Local Growth Unit on a monthly basis and is provided as part of a wider programme update on a fortnightly basis.

5.10 At the project level, all projects are expected to outline in detail any identified risks during the business case development and due diligence processes. Once in delivery, projects maintain an ongoing risk register and this is reported to the Combined Authority during the financial claims process and is also reported in the wider programme update.

6. Measuring Success – Realising the Benefits

The Importance of Monitoring and Evaluation

6.1 The Combined Authority is committed to implementing effective monitoring and evaluation so that it is able to:

- **Provide local accountability to the public, partners and local stakeholders** by demonstrating: how devolved funding is spent, ensuring value for money and that all benefits are identified, tracked and achieved in line with the Refreshed Strategic Economic Plan: the Industrial Strategy for the Tees Valley;
- **Comply with external scrutiny requirements** i.e. to satisfy conditions of the Devolution Deal. Specifically the monitoring and evaluation framework will provide a useful feedback loop and enable this to be communicated to relevant stakeholders;
- **Providing not only a summative, but a formative function. Summative Function:** Identify the impact of the project to date against the outcomes identified in the preliminary logic model and benchmarked to other comparable programmes: and
- **Formative Function:** Review the continuing need/ fitness of purpose of key interventions piloted under the programme and develop recommendations for future delivery; and
- **Develop an evidence base for input into future business cases.** The monitoring and evaluation framework will collate, benchmark and analyse data which can be utilised for future work.

6.2 Our Monitoring and Evaluation Framework (INSERT LINK) was initially prepared in relation to the Combined Authority's devolution deal monitoring and evaluation requirements. However, the approach set out in the Framework will be utilised for all sources of funding within the Tees Valley Investment Plan, accepting that some government departments will have slightly different requirements which will be met. The Framework builds on the National Evaluation Framework for devolution funds, prepared by SQW and agreed with devolution areas and government.

6.3 The Combined Authority's approach is based on the following principles:

- Focus upon conducting meaningful evaluation to better inform the selection of future intervention, the allocation of funds and the prioritisation of schemes and measures. We will use the national evaluation panel to provide a meta-evaluation of the combined interventions within the plan;
- Data is collected once and used many times. We advocate the use of open data techniques to develop innovative solutions, whilst at the same time ensuring the privacy of those it relates to;

- Automation will be exploited, wherever possible to reduce resource burden e.g. using our smart region/open data approach to source up to date information, which reflects demand within the Tees Valley;
- Lessons learnt and data generated in evaluation will also be used to inform future policy development and provide the evidence base for future interventions;
- Reporting requirements and associated evaluation will be proportional to investment impact and in line with current guidance;
- As appropriate, a baseline will be set for each metric at the development of the intervention logic model;
- Ex-post data collection will take place at appropriate intervals depending on the type of outcome/impact expected and the time for stabilisation of behaviours or benefits lag associated with each outcome or impact; Lessons learnt and data generated in evaluation will also be used to inform future policy development and provide the evidence base for future interventions;
- Interim findings should be available at least 12-18 months after completion, depending on whether seasonality needs to be allowed for;
- Useable by and /or comparable to, data collected by other stakeholders so it contributes to the wider evidence base;
- Credible, valid and reliable to the extent possible within available resources;
- Ethical e.g. in relation to data consent and protection;
- Economic impacts should be reportable three to five years after completion of any policy interventions and/or projects aimed at delivering new jobs and increased productivity;
- All projects will be subject to monitoring and evaluation, regardless of funding source;
- **All projects must have a signed off logic model, the outputs and outcomes of which must be recorded on the Combined Authority's management information system and for our business database for company specific outputs**

Our Logic Models for Understanding Impact

- 6.4 The logic models in the Tees Valley Framework builds on those in the national framework and supplements it with the local framework for areas of activity, such as culture and place that were not covered by the national framework. The logic models have been completed on a thematic basis (reflecting the six themes of the Tees Valley Strategic Economic Plan) and respective Thematic Heads review annually, content, clarity of definitions and supporting baseline evidence base (produced in the Annual Economic Assessment Document) with the Economist, Investment Manager and wider Thematic Working Group.

Programme and Project Monitoring

6.5 Funding agreement letters set out the programme or project spend and output profile together with the monitoring arrangements (financial, benefits and risk), including a clear timeline for the delivery of the following monitoring activities:

- **Project Delivery Meetings:** A designated Claims and Monitoring Officer will visit the project to undertake the Project Delivery Visit, shortly after the Funding Agreement has been signed off and before the first claim is issued. The purpose of the visit is to go through all the requirements detailed in the Funding Agreement and support the project lead to ensure they have the necessary systems and procedures in place to submit claims and manage the project appropriately. The Claims and Monitoring Officer will complete a Project Delivery Visit Checklist and Action Plan, a copy of which is sent to the applicant for sign off following the visit;
- **Monitoring Visit:** A 6-month monitoring visit will be undertaken with all project sponsors. Further visits can be carried out at any point during the delivery and will be dependent on project performance, risk etc. Therefore, some projects may need to receive more than one monitoring visit through-out the lifetime of the project;
- **Financial Completion Audit:** Will be undertaken once the project has achieved full spend. This will involve verifying evidence of spend/defrayal and any outputs achieved to date, along with checking that procurement processes have been adhered to, milestones achieved, and evidence is maintained (if applicable) to satisfy approval conditions;
- **Practical Completion Audit:** A follow up practical completion audit will be required if the project had outstanding outputs to be claimed/achieved following the financial completion audit; and
- **Marketing and Promotional Activity:** A marketing and publicity plan is developed as part of the Business Case and articulates all proposed marketing and promotional activity in support of delivery and will be monitored throughout the period. Project sponsors will be required to inform the Combined Authority of the planned publicity of the completion of any key milestones two weeks prior to publication. All social media and publicity around the project will need to acknowledge the role and support of all key funders including the required government branding, the Combined Authority and the Mayor and be accessible to all target groups.
- Any changes or variances to the spend profiles or key milestones will need to be reported by the project sponsor and approved by the Combined Authority. On approval a variation letter to the Funding Agreement will be issued.

Project Evaluation

- 6.6 The benefits realisation plan, agreed between the Combined Authority and the project sponsor, clearly defines those outputs which may be captured through routine monitoring. The plan goes on to specify the remit, timing and funding for any independent evaluation, usually to capture wider impacts for summative evaluation purposes and also to inform subsequent policy design/implementation through formative evaluation.
- 6.7 Evaluations of all programmes and projects will be reported to the Combined Authority Cabinet as part of the Investment Fund performance reporting and will be published on the Combined Authority website.

Adult Education Budget Monitoring and Evaluation

- 6.8 The Adult Education Budget reporting will be included within the Combined Authority monitoring and evaluation submissions as required under the devolution agreement. The Combined Authority has already submitted our policies for adult education as part of the readiness conditions and they were published as part of the commissioning process. They will continue to be updated and will be published more broadly during the academic year 2019/20.
- 6.9 The Combined Authority's Monitoring and Evaluation Framework (detailed above) will be used for the Adult Education Budget activity including the use of logic models. The first formal annual evaluation will be undertaken after year 1 i.e. academic year 2019/20 delivery and completed by December 2020. It will meet the national requirements as set out in the National Assurance Framework, together with locally determined requirements so that it can be used to inform and shape the criteria for future funding awards.