

Date: Thursday 31st January 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 meeting held on the 30th November 2018 for confirmation
- 4. Matters Arising**
- 5. Tees Valley Mayor's Update**
Attached
- 6. TVCA Committee Appointments**
Attached
- 7. Appointment of Returning Officers 2020**
Attached
- 8. Overview and Scrutiny Committee Budget Consultation Report**
Attached
- 9. Combined Authority Budget 2019-20**
Attached
- 10. Treasury Management Strategy 2018/19 Mid-Term Review**
Attached
- 11. Investment Plan Delivery Report**
Attached
- 12. Transport – Local Major Road Scheme Update**
Attached

13. Any Other Business

14. Date and Time of Next Meeting:

15th March 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

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 10.00am on
Friday 30th November 2018**

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

<u>ATTENDEES</u>	
<u>Members</u>	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Mayor David Budd	Mayor of Middlesbrough
Councillor Christopher Akers-Belcher	Leader, Hartlepool Borough Council
Councillor Bob Cook	Leader, Stockton-on-Tees Borough Council
Councillor 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
Professor Paul Croney	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
Sarah Glendinning	Observer, on behalf of the Tees Valley Business Representative Bodies
<u>Apologies for Absence</u>	
Angela Howey	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
Albert Pattison	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
<u>Officers</u>	
Julie Danks	Deputy Chief Executive, Stockton Borough Council
Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Paul Wildsmith	Managing Director, Darlington Borough Council
Julie Gilhespie	Interim Managing Director, 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
Shona Duncan	Head of Education, Employment & Skills, Tees Valley Combined Authority
Alison Fellows	Investment Director, Tees Valley Combined Authority

TVCA 39/18	<p>DECLARATIONS OF INTEREST</p> <p>Jerry Hopkinson, PD Ports, declared an interest in agenda item 7, Investment Plan Delivery Report.</p> <p>Cllr Christopher Akers-Belcher, Cllr Chris Massey, Cllr Bob Cook, Cllr David Budd, Cllr Stephen Harker and Darren Hankey declared an interest in agenda item 11, Adult Education Budget.</p>
TVCA 40/18	<p>MINUTES OF PREVIOUS MEETING</p> <p>RESOLVED that the minutes of the meeting held on 28th September 2018 be confirmed and signed as a correct record.</p>
TVCA 41/18	<p>MATTERS ARISING</p> <p>Councillor Jeffrey noted that the session on the Local Industrial Strategy had not yet taken place.</p>
TVCA 42/18	<p>TEES VALLEY MAYOR'S UPDATE</p> <p>Cabinet received a report providing a general update on the key activities of the Mayor and the Combined Authority since the last Cabinet meeting.</p> <p>Councillor Jeffrey made the following comments:</p> <ul style="list-style-type: none"> • Plans for the Special Economic Area are yet to be agreed, with arrangements for business rate retention also to be discussed; • The £14m is subject to a business plan and it is disappointing that there are so many hoops to jump through to get the investment; • £118m of the £137m for the South Tees Development Corporation is for the South Tees Site Company for day to day keep safe costs. <p>Councillor Akers-Belcher was disappointed that government had not communicated directly with the Combined Authority on the £24m Opportunity North East Programme. He had written to the Secretary of State to express his concerns.</p> <p>Cabinet also discussed the current position of the energy plant and details on the emitter cluster.</p> <p>Cabinet resolved that the report be noted.</p>
TVCA 43/18	<p>GOVERNANCE AND APPOINTMENTS</p> <p>The Cabinet noted the excellent progress made with further appointments to the Local Enterprise Partnership.</p> <p>Cabinet resolved the following appointments be approved:</p>

	<ul style="list-style-type: none"> i. Councillor Bob Norton as the Tees Valley Combined Authority's Audit & Governance Committee's representative on the South Tees Development Corporation's Audit & Risk Committee; ii. Brenda McLeish, Vikki Jackson-Smith and Annabel Turpin to the Tees Valley Local Enterprise Partnership; iii. David Soley as Deputy Chair of the Local Enterprise Partnership; iv. Cllr Stephen Harker as the Tees Valley Combined Authority's substitute member for Transport for the North's Rail North Committee.
TVCA 44/18	<p>INVESTMENT PLAN DELIVERY REPORT</p> <p>The Cabinet agreed to arrange a separate discussion on Freeports.</p> <p>Cabinet discussed the issue of negative coverage of the Tees Valley area in the national press and all the work being done locally to counter this.</p> <p>The Combined Authority Cabinet resolved that:</p> <ul style="list-style-type: none"> i. The current position of the investment programme and project updates since the previous report to July Cabinet be noted; ii. The general update on the strategic prioritisation exercise be noted; iii. The current position on the SQW review work be noted; iv. The current position on reviewing the Assurance Framework be noted.
TVCA 45/18	<p>DARLINGTON STATION UPGRADE</p> <p>Cabinet considered a report on Darlington Station, and welcomed the investment as a critical element of the Combined Authority's Investment Plan. The importance of government funding for the project, through the Department for Transport, was highlighted.</p> <p>The Combined Authority Cabinet resolved to:</p> <ul style="list-style-type: none"> i. Note progress to date. ii. Approve investment of up to £25million of Combined Authority funding, subject to due diligence and on the basis that the project is funded and brought forward by Department for Transport as detailed in the report. iii. Authorise the Interim Managing Director and the Investment Director to fully develop the project subject to the availability of all of the funding needed to deliver the Project, and to bring forward appropriate contractual proposals for the delivery of the Project and further updates to Cabinet in due course.
TVCA 46/18	<p>MIDDLESBROUGH STATION REDEVELOPMENT</p> <p>Cabinet considered a report on Middlesbrough Station, and welcomed the investment. The time critical nature of the project was highlighted.</p> <p>The Combined Authority Cabinet resolved to:</p> <ul style="list-style-type: none"> i. Note the progress with the delivery of the project ii. Approve in principle the investment of an additional up to £20million of Combined Authority funding as set out in the report, subject to compliance with the Tees Valley Assurance Framework; iii. Authorise the Interim Managing Director and Investment Director to:

	<ul style="list-style-type: none"> a. Continue to work in conjunction with all stakeholders to identify potential temporary measures which can be funded from this allocation and put in place to accommodate additional train services, until a permanent solution to the development and delivery of additional station platform capacity can be agreed; b. Work in conjunction with MBC, DfT, TfN and NR to develop a Strategic Outline Business Case (“SOBC”) (RNEP Stage 1) for the station platform, track and signaling capacity component of the Project and (subject to Government endorsement and a positive investment decision) to progress to the development stage (RNEP Stage 2) to develop an Outline Business Case (“OBC”) to identify the preferred option for delivering the additional capacity; c. Bring a further report back to Cabinet when the OBC is completed and the preferred option for delivering the additional capacity, total cost, funding proposal and timescale is known; and d. continue to work in conjunction with MBC and NR to develop proposals for the remediation of the station undercroft to bring it back into use, including the creation of new business workspace (which will also allow the permanent re-opening of the southern entrance building upon the current interim solution) and also to develop the approach to identifying the preferred options for delivering further phases of station facility improvements.
TVCA 47/18	<p>FUJI FILM BIOCAMPUS – PHASE 1</p> <p>Cabinet considered a report on a request for investment to support the Fujifilm BioCampus project Phase 1. The Cabinet welcomed the investment and discussed the importance of the biologics sector in the Tees Valley.</p> <p>The Combined Authority Cabinet resolved to:</p> <ul style="list-style-type: none"> i. note the request from FDBUK for £7.062m of Combined Authority funding to support the £14.5m Project as described in this report; ii. approve the request for £1.625m grant and £5.437m loan funding on the basis of the recommendations of the funding appraisal; and iii. authorise the Interim Managing Director to take all necessary steps to negotiate and complete appropriate funding agreements (including appropriate collateral / security arrangements) with FDBUK on the basis set out in this report and taking into account any issues arising as a result of the due diligence process.
TVCA 48/18	<p>ADULT EDUCATION BUDGET</p> <p>Cabinet considered a report on progress made by the Combined Authority towards the devolution of the Adult Education Budget to the Tees Valley in August 2019. Councillor Akers-Belcher, Portfolio Holder for Education Employment and Skills, thanked the officers for their work to date.</p> <p>The Combined Authority Cabinet resolved to:</p> <ul style="list-style-type: none"> i. Approve the governance operating model; ii. Approve a list of related policies and the approach for amendments made as presented in the report; iii. Note the proposed timings of further papers to Cabinet.

<p>TVCA 49/18</p>	<p>SUPPORTING APPRENTICESHIPS</p> <p>Cabinet considered a report on apprenticeships. The Cabinet discussed lobbying government for the retention of the levy in Tees Valley and agreed to request a meeting with government once the recent work on apprenticeships commissioned by Teesside University had been completed.</p> <p>The Combined Authority Cabinet resolved to:</p> <ul style="list-style-type: none"> i. Amend the current criteria for the Apprenticeship Support for Employers grant to: <ul style="list-style-type: none"> a. Widen the range of Businesses from priority sectors eligible for the grant. b. Increase the value of individual Grants available to employers and provide incentive grants for retention and progression of apprentices.
<p>TVCA 50/18</p>	<p>COMBINED AUTHORITY BUDGET 2019/20</p> <p>Cabinet considered a report presenting the draft financial framework within which the Combined Authority proposed to operate in the forthcoming financial year (2019-20) and over the medium-term.</p> <p>The Combined Authority Cabinet resolved to approve that the draft Budget be published for consultation.</p>
<p>TVCA 51/18</p>	<p>COMBINED AUTHORITY BUDGET 2018/19 – QUARTER 2</p> <p>Cabinet considered the financial position of the Combined Authority for the period ending 30 September 2018 and a revised Medium Term Financial plan.</p> <p>The Combined Authority Cabinet resolved to:</p> <ul style="list-style-type: none"> i. Note the quarter 1 financial position as at 30 September 2018; and ii. Note the revised Medium Term Financial Plan.
<p>TVCA 52/18</p>	<p>TREASURY MANAGEMENT ANNUAL REPORT</p> <p>Cabinet considered performance against the treasury management and prudential indicators, set in the Treasury Management Strategy approved in January 2017.</p> <p>The Combined Authority Cabinet resolved to note the report.</p>
<p>TVCA 53/18</p>	<p>ANNUAL AUDIT LETTER</p> <p>Cabinet considered the Annual Audit Letter, setting out the work that the Combined Authority’s external auditors (Mazars) undertook in the year ended 31st March 2018.</p> <p>The Combined Authority Cabinet resolved to note the Annual Audit Letter.</p>
<p>TVCA</p>	<p>APPOINTMENT OF HEAD OF PAID SERVICE</p>

54/18	<p>Cabinet considered the formal appointment of the Head of Paid Service (Chief Executive) for Tees Valley Combined Authority (TVCA) in accordance with paragraph 89 of TVCA Constitution.</p> <p>The Combined Authority Cabinet resolved to approve the appointment of Julie Gilhespie as TVCA Head of Paid Service (Chief Executive).</p>
TVCA 55/18	<p>DATE OF NEXT MEETING</p> <p>Thursday 31st January 2019</p>

AGENDA ITEM 5**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 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**MIDDLESBROUGH DISTRICT ENERGY NETWORK**

1. Since the last progress report in September, work has been continuing on this project with the South Tees Hospitals NHS Foundation Trust, Teesside University and Middlesbrough Borough Council as our key partners in the proposed network. We've also been working with other public sector organisations with premises in and around the proposed network to ascertain if they want to be involved. This will help to:
 - strengthen the core proposition of the project;
 - further enhance commercial viability;
 - enable more organisations to make financial savings;
 - contribute to Carbon saving targets, and
 - meet our Strategic Economic Plan aspiration to be at the forefront of delivering innovative projects that contribute to the circular economy.
2. We are in the process of appointing external advisors to work closely with the Combined Authority to help develop the technical, legal and financial aspects of the project, to ensure that the project is commercially viable, meets the heat and energy needs of our key partners and allows for potential future expansion. This process will continue into the first quarter of 2019 and this support will help us to refine the business case and allow the Combined Authority and Partners to make an investment decision in the last quarter of the year.
3. A more detailed project plan for all phases of the scheme will be established during the pre-procurement phase of the project but the objective remains to procure a design,

build, operate and maintain contractor and seek to deliver phase 1 of the scheme, which is self-contained within the James Cook University Hospital site, by June 2021.

4. Whilst it is important that we get the first phases of the main project underway to realise the benefits for our key partners, we also recognise that there is a significant amount of new development being planned in and around the proposed network in Middlesbrough Town Centre and so we are also looking to secure funding from the Government's Heat Network Delivery Unit (HNDU) to begin feasibility work to establish where, how and when the network could be expanded – in effect a fourth phase of the project.

ADULT EDUCATION BUDGET (AEB)

5. The Combined Authority is due to receive final confirmation of the indicative £30.5m devolved Adult Education Budget for 2019/20, from the Department for Education by the 31st January 2019.
6. The commissioning process for the delivery of Adult Skills provision from the 1st August 2019 was launched on the 30th November 2018. All providers who are seeking to secure a funding award to deliver adult skills to Tees Valley residents from 1st August 2019 are required to submit a Delivery Plan to the Combined Authority by 12 noon on the 1st February 2019.
7. A dedicated AEB portal linked to the Combined Authority website has been established to support the commissioning process, which will allow all prospective provider Delivery Plans and their supporting documentation to be received on-line.
8. Two events were held in December 2018, to support prospective providers in preparing for the submission of their Delivery Plan. These events were well attended with over 100 providers attending over the two days.

APPRENTICESHIP SUPPORT FOR EMPLOYERS GRANT

9. In November, Cabinet agreed changes to the current Apprenticeship Support for Employers, to encourage businesses to create more apprenticeship opportunities. The scheme will continue assisting priority and high growth sector businesses and provide incentives to retain apprentices to progress onto higher level apprenticeships. The new Apprenticeship Support for Employers Grant went live on the 30th November 2018.
10. An event to launch the new grant was held at Hartlepool College of Further Education on the 14th December. 55 employers and representative bodies attended to receive the details of the grant offer and to debate how we can all do more to increase apprenticeship opportunities in Tees Valley.
11. Regular monitoring will be undertaken regarding the uptake of the grant, funding committed, the relevant business sectors response and the level of apprenticeships being created. Further updates and impact achieved will be presented to cabinet as required.

RAILWAY HERITAGE

12. A number of developments have recently taken place in relation to Railway Heritage, with the Combined Authority leading on the Railway Heritage Programme.

13. Work on the masterplan for the Railway Heritage Quarter, in Darlington, is being completed by Bauman Lyons, with a planned completion date of May 2019. The masterplan work will create a clear vision and delivery plan for this major visitor attraction, telling the story of the Stockton and Darlington Railway and associated rail heritage.
14. Work has also commenced on the Stockton and Darlington Railway Interpretation Plan. TGAC have been commissioned to create two plans, the first telling key stories of the Stockton and Darlington Railway and the second for the Railway Heritage Quarter at the North Road site. This is due to be completed in April 2019.

RUGBY LEAGUE WORLD CUP 2021

15. An announcement on whether the Tees Valley has been successful in the bid to host games or a team, as part of the Rugby League World Cup 2021, will be made on 29th January. A verbal update will be given at the meeting.

INVEST TEES VALLEY

16. The Invest Tees Valley brand has been updated to further align it with our corporate communications, including the Combined Authority and Tees Valley Mayoral brands. The refreshed brand is designed to appeal to potential investors and to support the work of the Combined Authority's Business Investment Team.
17. Marketing materials, including brochures, stationery, email signature strips and banners have been produced in the new style. Copy and images from our Talking Up Tees Valley marketing campaign, which was produced collaboratively with all five Local Authorities and the Local Enterprise Partnership, have been applied to the materials as part of our roll out of consistent messaging and narrative about the region. A new Invest in Tees Valley website will be launched in early 2019 to provide information about the region and opportunities and reasons to invest within Tees Valley.

PR AWARDS

18. The launch of Enjoy Tees Valley has won two awards at the Chartered Institute of Public Relations' North East PRide Awards. The campaign won Gold in the Best Low Budget category and Silver for Best Consumer Relations. It involved the Combined Authority's Communications & Marketing and Tourism teams working collaboratively with all five Local Authorities' Communications teams. The judges commented that the campaign demonstrated a "clear focus and a collaborative spirit, involving a whole range of stakeholders and working with a minimal budget and incredibly short timescales. The result was phenomenal – including great press coverage and engagement with key target audiences and using strong influencing skills with journalists".

FINANCIAL IMPLICATIONS

19. There are no financial implications to this report.

LEGAL IMPLICATIONS

20. There are no legal implications to this report.

RISK ASSESSMENT

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

Name of Contact Officer: Chris Duggan

Post Title: Chief of Staff to the Mayor

Telephone Number: 01642 528893

Email Address: chris.duggan@teesvalley-ca.gov.uk

AGENDA ITEM 6**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE CHIEF EXECUTIVE****TVCA COMMITTEE APPOINTMENTS****SUMMARY**

This report brings forward the appointment of Councillor Paddy Brown as replacement representative of Hartlepool Borough Council on the Tees Valley Combined Authority's Overview and Scrutiny Committee.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet approve of Councillor Paddy Brown to the Tees Valley Combined Authority's Overview and Scrutiny Committee.

DETAIL

1. Article 54 of the Constitution of the Tees Valley Combined Authority (TVCA) states that the membership of the Overview and Scrutiny Committee "shall comprise fifteen members, three nominated from each of the Constituent Authorities".
2. Nominations from the Constituent Authorities for TVCA Overview and Scrutiny Committee membership for the Civic Year 2018-19 were approved at Annual Meeting of the Combined Authority Cabinet on 1st June 2018.
3. On 4th December 2018, Cllr Rob Cook – one of the three representatives of Hartlepool Borough Council– submitted his resignation as a committee member with immediate effect.
4. On 20th December 2018, Hartlepool Borough Council formally nominated Cllr Paddy Brown as a replacement member, his membership to run until the end of the Civic Year 2018-19.
5. Cabinet is asked to confirm the appointment as set out above.

FINANCIAL IMPLICATIONS

6. Support for the governance of the Tees Valley Combined Authority is provided from within the Authority's core budget, as agreed by Cabinet through the annual budget process, and funded through resources devolved from central government.

LEGAL IMPLICATIONS

7. The report relates to the Constitution for the Combined Authority which sets out the appropriate statutory framework. The Constitution came in to effect on 8th May 2017 and is legally binding.

RISK ASSESSMENT

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

CONSULTATION & COMMUNICATION

9. Appointments are made in accordance with the Combined Authority Constitution and the processes governing each Local Authority.

Name of Contact Officer: Sarah Brackenborough

Post Title: Governance Manager

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Email Address: sarah.brackenborough@teesvalley-ca.gov.uk

AGENDA ITEM 7

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

31 JANUARY 2019

**REPORT OF THE CHIEF EXECUTIVE
STOCKTON ON TEES BOROUGH COUNCIL**

APPOINTMENT OF RETURNING OFFICERS 2020

SUMMARY

Following parliamentary approval of the Tees Valley Combined Authority (Election of Mayor) Order 2016, the Combined Authority must appoint one of its officers, or one of the officers of a constituent council, to be the combined authority returning officer CARO in relation to the election. In addition, this report will consider the appointment of the Police Area Returning Officer PARO.

RECOMMENDATION

It is recommended that the Combined Authority Cabinet appoint Julie Danks, the local returning officer of Stockton-on-Tees Borough Council, as the Combined Authority Returning Officer in relation to the Tees Valley Combined Authority Mayoral Election 2020.

DETAIL

1. In May 2020 as it currently stands Local Authorities in the Tees Valley will have the following scheduled polls

Darlington	7 May	PCC & Tees Valley Mayoral
Hartlepool	7 May	All out Locals following a Boundary Review, Parish, PCC & Tees Valley Mayoral
Middlesbrough	7 May	PCC & Tees Valley Mayoral
Redcar	7 May	PCC & Tees Valley Mayoral
Stockton	7 May	PCC & Tees Valley Mayoral

2. In respect of local elections each authority must appoint a Returning Officer (RO) in accordance with s35 of the Representation of the People Act 1983.
3. Each Combined Authority is also required to appoint a combined authority returning officer, who will have responsibility for giving notice of the election; the nomination procedures; encouraging participation; ensuring that candidates and their agents comply with the requirements as to the content of candidate election addresses and with the procedures for submitting them; producing and distributing the booklet to

every voter containing the candidates' election addresses; the collation and calculation of votes given for each candidate; and the declaration of the overall result.

4. The local returning officer for each constituent council in the combined authority areas will be responsible for the conduct of the poll in their area, including the provision of polling stations, publication of the notice of poll, the issue and receipt of postal ballot papers and the verification and counting of the votes in their area.
5. The legislation provides that the Combined Authority must appoint one of its officers or one of the officers of a constituent council, to be the combined authority returning officer.
6. Under the Police Reform and Social Responsibility Act 2011 the relevant Secretary of State will appoint a PARO for each police area. In reality, each Police area will nominate a Local Returning Officer to submit an application to the Cabinet Office to be PARO.
7. Whilst the appointment of the PARO is not a consideration for Tees Valley Combined Authority there will be an element of overlap in both roles and therefore it's important that both appointments are considered together. 2020 will be the first time that two polls with a regional element will be combined.
8. The PARO will have similar responsibilities as the CARO the largest difference being the PARO doesn't have to design and produce a booklet. However, the PARO will need to approve each candidate's election address material for hosting on the Home Office website.
9. Due to the combined nature of elections in 2020 there will be significant demands on resources and as such it will be necessary to ensure sufficient resources are provided.
10. Options include the appointment of a separate CARO and PARO with regional support provided by their respective authorities. Alternatively, a single person could be appointed to be both CARO and PARO with support being provided by their respective authority.
11. The appointment of returning officers has been considered by Tees Valley Chief Executives at their meeting on the 16th January, and their preferred option is that a single appointment is made.
12. Stockton-on-Tees have previously led The Combined Authority Mayoral in 2017 and the Police and Crime Commissioner elections in 2012 and 2016 for the Cleveland force area.
13. Given the experience in Stockton, Tees Valley Chief Executives are nominating Julie Danks the local returning officer of Stockton-On-Tees Borough Council to apply to the Cabinet Office to be the Police Area Returning Officer for 2020.
14. Taking this into account, it is recommended that Julie Danks is recommend to the Combined Authority for appointment as the Combined Authority Returning Officer in relation to the Tees Valley Combined Authority Mayoral Election 2020.

FINANCIAL IMPLICATIONS

15. There are no financial implications arising directly from this report.

LEGAL IMPLICATIONS

16. Each combined authority is required to appoint a combined authority returning officer. The relevant secretary of state will appoint a Police Area Returning Officer.

RISK ASSESSMENT

17. There are always risks involved with every election, but experienced elections staff, rigorous planning and training and tried and tested procedures, in particular, help to minimise the risks.

CONSULTATION

18. The proposal has been discussed with Members and Officers of the Constituent Councils and of the Combined Authority.

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AGENDA ITEM 8**REPORT TO TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE OVERVIEW AND SCRUTINY COMMITTEE
FINANCE AND RESOURCES SUB-COMMITTEE****OVERVIEW & SCRUTINY COMMITTEE BUDGET CONSULTATION REPORT****SUMMARY**

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

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

This report details the findings of the sub-committee and their final consultation response to the Cabinet.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the process undertaken by Overview and Scrutiny Committee Finance and Resources Sub-committee to scrutinise the budget;
- ii. Note the report of the Overview & Scrutiny Committee (attached at Appendix 1).

DETAIL

1. The Overview & Scrutiny Committee agreed at its meeting of 13th September 2018 to establish a standing Finance and Resources Sub-committee in order to focus on Combined Authority budget arrangements in detail, and to report back to the main Committee.
2. This sub-committee is chaired by Councillor Ian Haszeldine (Darlington Borough Council) Vice-chair of the full committee. The other members of the group are Councillor Philip Thomson (Redcar and Cleveland Borough Council) Councillor Heather Scott (Darlington Borough Council), Councillor Matthew Storey (Middlesbrough Borough Council) and Councillor Derrick Brown (Stockton Borough Council).

3. The task and finish group met on Monday 6th December 2018, after being provided with the draft Budget upon its publication on Friday 23rd November 2018. At this meeting they were able to question the Head of Finance and Resources and Finance Manager on the proposed budget.
4. The sub-committee subsequently reported back to full committee at its meeting of Thursday 6th December. As a result, a list of the questions was submitted for response by the Head of Finance and Resources for answer at a further sub-committee meeting on Tuesday 11th December.
5. Following these meetings the members of the sub-committee agreed that they were satisfied with the responses given and now felt they had a good understanding of the budget.
6. A report from the sub-committee was drafted for presentation at the meeting of the Overview & Scrutiny Committee on 17th January 2019. At this meeting, the full committee were able to review the findings of the sub-committee and put forward any final questions to the Chief Executive.
7. The Committee had a particular interest in the following topics:
 - The relationship between the Combined Authority annual budget and its Investment Plan, and in particular the proposed acquisition of Durham Tees Valley Airport
 - The impact on the future funding of Combined Authority activities following the United Kingdom's exit from the European Union.
 - Business Rate retention in Special Enterprise Zones and its potential negative impact upon the individual budgets of constituent councils of the Combined Authority.
 - The impact on available investment resources of the scheduled withdrawal of the Mayoral Capacity Fund in 2019-20.
8. The Committee's report and a full list of questions posed by members and officer responses is attached in Appendix 1.

FINANCIAL IMPLICATIONS

9. The final published report will set the budget for the Combined Authority.

LEGAL IMPLICATIONS

10. As a Mayoral Combined Authority we are legally required to set a budget for the coming financial year and a Medium Term Financial Plan covering the coming financial year and the three years thereafter. Under our constitution, we are also required to have an Investment Plan.

RISK ASSESSMENT

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

CONSULTATION

12. Consultation was undertaken with the public and key stakeholders for a period from 30th November 2018 to 6th January 2019.

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Appendix 1:

Response to Draft Budget: Tees Valley Combined Authority Overview and Scrutiny Committee

The Finance and Resources Sub-Committee, acting with the authority of the Combined Authority Overview and Scrutiny Committee, are satisfied with the information provided by officers and are content to ratify the budget proposals.

Whilst concluding that this budget should be supported members would like to place on record the following observations and intentions:

- The sub-committee accepts that the Budget appropriately allocates the available resources to deliver on the strategic priorities of the Tees Valley Combined Authority, but perceives the need for more comprehensive member oversight of specific investment decisions to be undertaken as the Combined Authority's output scales up. Members agreed with the recommendation of officers that the completion of Combined Authority's ongoing prioritisation exercise would be the most appropriate time to commence this work.
- Members also recognised a need for more overview and scrutiny to be undertaken of the delivery and outputs of specific live Combined Authority programmes – for example the Routes to Work programme - in particular with regards to job creation.
- The sub-committee received assurances from officers that the costs of the proposed acquisition of Durham Tees Valley Airport could be met from existing investment resources – but note the potential burden on limited Combined Authority investment resources of investments of this scale, in particular given the operating and other ongoing costs associated with the ownership.
- Members are extremely concerned about a lack of clarity from HM Government relating to the replacement of European Funding allocated to the Tees Valley Combined Authority following the United Kingdom's exit from the European Union and a lack of detail forthcoming with regards to the proposed UK Shared Prosperity Fund.
- Members expressed some concern that HM Government had also not provided a commitment to extend provision of the £1m Mayoral Capacity Fund after 2019-20. Although officers clarified that this funding is absorbed into the overall Single Pot, is not controlled by the Mayor and is not used to resource his office, some members questioned the sustainability of the non-imposition of a Mayoral Council Tax precept should this funding be withdrawn.
- Members requested greater clarity about Business Rate retention in Enterprise Zones and Special Enterprise Zones in light of their potential to negatively impact upon Local Authority budgets.

For transparency purposes, the questions asked of officers relating to the budget are detailed below.

Appendix 2:

Questions posed to officers by members of the Tees Valley Scrutiny Overview and Scrutiny Committee as part of the 2019-20 Budget Consultation Process.

- 1. How will funding received from the European Regional Development Fund and European Social Fund detailed within the budget be replaced following the United Kingdom's exit from the European Union?**

The government has announced the creation of a UK Shared Prosperity Fund to replace European funding for economic development projects, but no further details have been provided at this time.

- 2. Have any investments been made by the Tees Valley Combined Authority in partnership with the Tees Valley Pension Fund?**

No investments of this nature have been made.

- 3. Why is no reference made in the Budget to the acquisition of Durham Tees Valley Airport? And are resources available to purchase the airport – including operating costs?**

At this stage this investment is only at the proposal stage, and the budget refers only to investments formally approved by Cabinet. A minimum of £95m remains available for single pot investment within in the planned period.

- 4. Will the delay of the 2019 Local Government Finance Settlement impact on this budget?**

We do not anticipate any impact on Combined Authority resources.

- 5. What is the nature the £1m Mayoral Capacity Fund detailed in the budget papers? Is this money utilised to run the Mayor's office or available to spend by the Mayor?**

The Mayoral Combined Authority Capacity Fund is absorbed into the Combined Authority Single Pot for investment and to support running costs. It is not a separate budget controlled by the Mayor.

- 6. Can officers please provide members with further with details Tees Valley Enterprise Zones and Special Enterprise Zones, in particular relating to the retention of business rates, and confirm whether or not they could negatively impact on Local Authority budgets.**

A thorough briefing on this subject will be added to the Committee Forward Plan.

- 7. Can TVCA running costs as agreed in the 2018-19 Budget be provided for comparison with those detailed in this year's proposed budget?**

Proposed running costs are unchanged year-on-year. Budget papers will be amended to make this explicit.

- 8. Can further details of investment returns achieved by TVCA Treasury Management be provided to members?**

These have been circulated to members.

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AGENDA ITEM 9**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE HEAD OF
FINANCE AND RESOURCES****BUDGET 2019-20 AND MEDIUM TERM FINANCIAL PLAN****SUMMARY**

The Mayor is required to propose the Budget for the Combined Authority on an annual basis. The Budget provides the financial framework within which the Combined Authority will operate in the forthcoming financial year (2019-20) and over the medium-term. Following a period of public consultation this report presents the final Budget for Cabinet approval.

RECOMMENDATION

- i. It is recommended the Combined Authority Cabinet approve the Budget;
- ii. Note the pay policy statement (Appendix 8).

DETAIL

In November 2018 the Mayor presented a draft Budget to Cabinet. With the agreement of Cabinet the draft Budget was published for public consultation during the period 30 November 2018 to 6 January 2019. During this period the draft Budget was subject to scrutiny through the Combined Authority Overview and Scrutiny Committee. The draft budget was also considered at meeting of the Tees Valley Directors of Resources and Local Authority Leaders gave it further consideration at a special meeting held 17 December.

During the consultation period a number of comments have been received regarding the draft Budget. The draft Budget has been amended to reflect the feedback received and this report presents the revised final Budget proposal.

BUDGET SUMMARY

1. Since the 2018-19 Budget was agreed a number of further investments against the single pot have been approved by Cabinet with a total value of £624m, these are detailed in **Appendix 1**.
2. This report sets out the proposed budget for 2019-20 and the medium term financial plan (MTFP) for the period to March 2023 (the Budget). The Budget presents all forecast funding and expenditure for the plan period.
3. For the plan period the Authority will have a total of £710m available funding resources. This comprises £202m single pot funding, £261m specific grant funding, £60m held in reserves and £187m borrowing.

4. Committed expenditure for the period 2019-23, including indicative funding allocations identified within the Investment Plan, is budgeted at £710m.

FUNDING

5. Total available funding for the plan period is £710m comprising:

Funding 2019-23	£'000
Single pot	201,514
Specific grant	261,214
Borrowing	187,380
Held in reserves	59,941
Total Funding	710,049

SINGLE POT FUNDING

6. Single pot funding is defined as all Combined Authority funding for which there is fully devolved discretion regarding expenditure. This funding provides for new investment through the investment plan process and to meet Combined Authority core costs.
7. Forecast funding for the budget period 2019-23 is £202m as follows:

Single pot funding	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Growth Fund	13,708	9,416	14,217	0	0	23,633
Devolution	15,000	15,000	15,000	15,000	15,000	60,000
Enterprise Zones	2,475	4,120	5,379	5,557	5,977	21,033*
Transforming Cities Fund	4,000	13,000	18,000	24,000	16,500	71,500
Investment returns	726	3,818	939	2,110	1,761	8,628
LEP Grant	500	500	500	500	500	2,000
LA contributions	250	0	0	0	0	0
Combined Authority Mayoral capacity	1,000	1,000	0	0	0	1,000
Other funding	180	180	1,180	1,180	11,180	13,720
Total	37,839	47,034	55,215	48,347	50,918	201,514

* The Enterprise Zone funding includes expected receipts in relation to business rates for current enterprise zones located on the South Tees Development Corporation site. With the recent Budget announcement making South Tees a Special Economic Area which will allow for the local retention of additional business rates growth, there may be implications for EZ funding.

Local Growth Fund

8. In total the Combined Authority has been allocated £103m through previous Local Growth Fund rounds. As at the end of March 2019 it is forecast that £86m will have been spent/committed with £17m remaining available for new investment in the plan period.

Devolution

9. Funding of £15m per year for 30 years was agreed as part of the devolution agreement with government. This funding is subject to a five year review. For the purpose of the budget plan period it is assumed that this level of funding will continue beyond the first five year review which will take place during 2020/21.
10. As at the end of March 2019 it is forecast that £39m will have been spent/committed with £65m remaining for new investment and contributions to core costs in the plan period, comprising £60m funding to be received and £5.2m held in reserves.

Enterprise Zones

11. The Combined Authority retains business rate funding from a number of designated enterprise zones (EZ). As the zones continue to attract more business the funding generated is forecast to increase. For the plan period enterprise zone funding is forecast to increase by over 140% from the expected 2018-19 outturn of £2.5m to £6m in 2022-23.
12. As with all EZ funding streams there is an element of uncertainty surrounding the timing and value of the funding however the premises that contribute to this increase are all currently under construction, for example MGT and Tees AMP, which provides a level of certainty behind the estimates. As at March 2019 it is forecast that £21m will be available for new investment and contributions to core costs in the plan period.

Transforming Cities Fund

13. The Transforming Cities Fund was announced by Government in the 2017 Budget and Tees Valley was awarded a total of £59m funding to transform local transport. This funding is to cover a 4 year period with £4m received in 2018/19 and the remaining £55m being received in the period covered by this plan. In the 2018 Budget the fund was extended into 2022/23 and an additional £16.5m was awarded to the Tees Valley. The fund gives the Combined Authority freedom to invest on strategic transport priorities.

Investment Returns

14. A number of Combined Authority investments are made on a recoverable and/or commercial basis, based on current agreements it is estimated that £8.6m will be repaid during the period.

Local Enterprise Partnership Grant and LA Contributions

15. The Combined Authority receives LEP grant of £500k per annum. In addition, the five constituent local authorities currently each provide £50k per annum to support the Combined Authority and match the LEP grant. For the plan period the LEP grant match can be met from other available funding streams and therefore the Local Authority

contribution is not required, providing a local authority saving of £1.0m over the plan period.

Mayoral Combined Authority Capacity Funding

16. Funding of £1.0m per annum was granted to Mayoral Combined Authorities with elected mayors for 2018-19 and 2019-20, to boost the new mayors' capacity and resources, this funding has been absorbed into the single pot. No commitment has been provided by Government to fund capacity beyond this period.

Other funding

17. Other funding comprises of funds received from external recharges and contributions from South Tees Development Corporation for shared resources.

Council Tax Precept

18. Legislation requires Combined Authority Mayors to set a precept on the Council Tax to support functions which cannot be funded through other sources of funding. The Tees Valley Combined Authority is able to meet the costs of its functions entirely from resources it has secured as a result of the Devolution Deal and other funding sources. The Tees Valley Mayor therefore proposes to set a zero precept for 2019/20, and will not set a Council Tax precept in future years.

SPECIFIC GRANT FUNDING

19. Specific grant funding relates to funding received by the Combined Authority for identified purposes. All these funding streams do come with a degree of constraint in as to how they are applied, and therefore do not provide the fully devolved flexibility that single pot funding does.

Specific grant funding	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Routes to Work (DWP)	2,218	2,439	1,211	0	0	3,650
Growth Hub (BEIS)	246	246	0	0	0	246
Nat. Productivity Investment Fund (DfT)	3,274	5,050	0	0	0	5,050
Access Fund (DfT)	1,109	1,051	0	0	0	1,051
ERDF (Business Compass) (ERDF)	4,482	6,843	0	0	0	6,843
ERDF Legacy (MHCLG)	0	3,666	3,667	3,667	0	11,000
Great Places (Heritage Lottery Fund)	711	528	0	0	0	528
Adult Education Budget (DfE)	392	20,179*	30,000	30,000	30,000	110,179
Careers & Enterprise	60	50	21	0	0	71
Local Transport Plan (DfT)	13,943	13,943	13,943	13,943	13,943	55,772
Concessionary Fares Funding (LAs)	16,706	16,706	16,706	16,706	16,706	66,824
Other	1,476	0	0	0	0	0
Total	44,617	70,701	65,548	64,316	60,649	261,214

* note the Adult Education Budget funding for 19/20 is less than future years as full devolution does not commence until part way through the year in August 2019

Routes to Work

20. £6m of funding was secured over a 3 year period from 2017 to 2020, matched by £1.5m from the single pot, to provide holistic support to those long term unemployed aged 30 or over. The project identifies and provides support to address and overcome multiple barriers that some people face when trying to access work. The Service is monitored by the Combined Authority and delivered by the five Tees Valley Local Authorities through multiple service providers offering one-to-one tailored support.

BEIS Growth Hub

21. The Growth Hub support from BEIS was extended in until 2019/20 to ensure that all businesses in every region have access to a local Growth Hub. This funding is to allow the Growth Hubs to carry on building their reach, developing peer-to-peer networks, connecting businesses to the best support available from the private and public sectors and to target support on those businesses with the opportunity, ambition and greatest potential to grow.

National Productivity Investment Fund (NPIF)

22. Over £8m NPIF funding covering 2018/19 and 2019/20 was allocated to improve local road networks and public transport. One of the purposes of the fund is to ease congestion and provide upgrades on important roads. Applications for individual projects were assessed and approved by Department for Transport with the region receiving funding for Darlington Growth and Enterprise Zone Connectivity, A66/A171 Cargo Fleet Roundabout Improvement Scheme and A171 Swans Corner to Flatts Lane Improvement.

Department for Transport Access Fund

23. Over £1m of funding per annum was awarded over a 3 year period covering 2017/20 and is being used to widely encourage the use of public transport, cycling and walking through the introduction of sustainable transport schemes, promotion and marketing. The funding also targets those who have difficulties to get back into work because of the restrictions accessing transport and the cost of travel affecting their ability to attend interviews. They will also benefit from discount bus travel and bike loans.

ERDF Business Compass

24. Funded by the ERDF to promote and support growth to SME's the Business Compass service provides support to help with anything from developing a skilled workforce, accessing finance and grants and developing a growth strategy to finding the right location, product development, sales and marketing and starting up a new business. The Programme runs from January 2017 to December 2019. The Combined Authority is currently looking at options to extend this programme beyond this date.

ERDF Legacy

25. Funding has been recycled from previous regional ERDF funded investments, including the North East Jeremie Fund, to provide additional support for Tees Valley businesses seeking investment.

Great Places

26. Tees Valley Combined Authority has secured £1.5 million as part of the Heritage Lottery Fund and Arts Council England Great Place scheme to fund activities which will put arts, culture and heritage at the heart of the community. Led by Tees Valley Combined Authority, the Great Place – Greater Tees project will provide funding for a number of arts and cultural organisations across Tees Valley and support popular existing events as well as new initiatives.

Adult Education Budget

27. The AEB funding provides an estimate of £110m funding over the period with full devolution commencing August 2019 and aims to provide those aged 19 and over in the Tees Valley area with support into training and education to enhance skills in order to meet the skills requirements of employers. The Combined Authority will be working with a wide range of providers to align training to business needs and to prevent young people becoming long-term unemployed.

Careers & Enterprise Company

28. The Enterprise Adviser Network has been running since 2015 and is currently funded up till 2020. The network of advisors work with local schools and businesses to ensure every young person has the chance to access those meaningful employer encounters that play such a vital part in helping them decide their future path.

Local Transport Plan

29. As the transport authority for the Tees Valley the annual capital block funding allocations are passported through the Combined Authority to the constituent Local Authorities based on historical allocations. The Combined Authority role in this is transactional in enabling the funding to be transferred from Government to the Local Authorities.

Concessionary Fares Funding

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

BORROWING

31. As part of the devolution deal Government agreed to provide the Combined Authority with a devolved fund of £450m. Although this funding is released by Government on an annual basis of £15m per year for 30 years the aim was that Mayoral Combined Authorities could use this funding stream to forward fund through prudential borrowing. To date the Tees Valley is the only Mayoral Combined Authority not to use this mechanism in order to boost its investment capability in the short to medium term.
32. Not only does this borrowing increase the scope to have a bigger economic and transformational impact sooner, it also makes financial sense as the release of the £450m over the 30 years is not index linked. Therefore, the spending power of £15m in 2046 will be far less than today at only £6.7m. Based on the standard discount rate of 3% it is financially advantageous to forward fund as the prudential borrowing rates are below this level.

33. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy. Within the MTFP period the borrowing requirement is £187m as part of a wider Investment Plan borrowing requirement of £241m to 2025, details of which can be found at **Appendix 2**. This is well within the Government agreed borrowing caps of £571m in 2019/20 and £774m in 2020/21. The 2019/20 Treasury Management Policy will set out the prudential indicators to support the proposed borrowing.

EXPENDITURE

SINGLE POT INVESTMENT – COMMITTED

34. All single pot investment is delivered through the Combined Authority Investment Plan.

Investment Plan	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Approved investments	41,747	29,611	17,907	3,595	340	51,453
Development fund commitments	6,000	832	-	-	-	832
Investment Plan allocations	0	107,100	69,300	83,800	87,500	347,700
Total	47,747	137,543	87,207	87,395	87,840	399,985

Approved investments incurring expenditure in the plan period

35. For the plan period forecast expenditure on approved investments equates to £51m, as presented in **Appendix 3**. These approved investments comprise 23 individual projects and programmes and a brief outline of each is set out below.

A689 Wynyard Improvements

36. In the original growth deals of 2014/15 £3m was allocated, subject to due diligence, to improve signalisation and widen five roundabouts on the A689 at Wynyard. Subsequently, Stockton Borough Council submitted a change request to move funding between approved schemes which resulted in a revised figure of £2.525m. This scheme will provide additional capacity on the A689 roundabouts to provide the local access required for the proposed housing developments in Wynyard and South West Hartlepool. This complements the recent improvements to the strategic road network that the Highways Agency has completed, to provide additional capacity at the A19/A689 Interchange, and their longer term commitment to providing the additional capacity required to accommodate future development traffic and wider traffic growth along the A19 between Norton and Wynyard. The Combined Authority is currently working with Stockton Borough Council on bringing forward this scheme.

Apprentice Grant for Employers

37. The Apprentice Grant for Employers programme has the aim of supporting businesses (principally micro and small enterprises) that would not otherwise be in a position to

recruit individuals aged 16 to 24 into employment through an Apprenticeship programme. Employers who recruit an apprenticeship and keep them in employment for at least 13 weeks receive a grant which goes some way to offsetting the cost involved in employing and investing in the development of an apprentice. The programme was devolved to Tees Valley in 2016/17 with £1.536m funding through the Skills Funding Agency. In January 2017 Cabinet approved further funding of £524k to continue the programme. In July 2017 Cabinet approved a further £1.3m funding to enable further continuation of the programme. Currently in delivery, the £1.3m funding is forecast to be expended by the end of 2019/20.

Business Finance Scheme

38. In February 2018 Cabinet approved an allocation of £5m through the Investment Plan to progress on the proposal to improve access to finance for business, by bringing forward new proposals for additional support for Tees Valley businesses seeking investment. Plans involve allocating £11 million of funding recycled from previous regional ERDF funded investments, including the North East Jeremie Fund, which will add to the approved £5 million business support allocation within the Investment Plan. This will provide an initial £16 million funding allocation to business for propositions that are unable to access finance from other sources.

Careers & Enterprise Programme

39. The Enterprise Advisor Network programme provides support to connect local business with schools and colleges across the Tees Valley. Advisors support and enhance existing activities, ensure that the schools are aware of additional support available and identify what additional support the school requires to deliver improved careers education. Match funding of £110k has been provided to enable the extension of the careers initiative. Beyond this, funding for the initiative is to continue through the Cabinet approved Careers and Enterprise Initiative.

CPI Healthcare Futures Centre

40. In the original growth deals of 2014/15 £10m was allocated, subject to due diligence, for the CPI Healthcare Futures Centre, a new facility on the Enterprise Zone at Central Park which will allow organisations to develop and test medicine manufacturing technologies that can be applied in the new and emerging therapeutic supply chains. It will integrate with existing National Biologics Manufacturing Centre and the new Teesside University National Horizons Centre to form a strong cluster for the biologics sector. There are a number of factors that have resulted in a delay to the proposal progressing to funding agreement stage. The proposal is reliant on ERDF funding application and as a result changes were required to the funding model. The Combined Authority are progressing with the due diligence and the outcome of the ERDF application is awaited.

Building Cultural Capacity

41. In March 2017 Cabinet approved a £1.8m programme of culture activity, which included a £100k allocation for building cultural capacity. Activity regarding building cultural capacity is currently in delivery, with a forecast £25k remaining to be spent in 2019/20.

Culture - City Games & Cross Country

42. In March 2018 Cabinet approved, subject to due diligence, the allocation of up to £340k grant funding to the Great Tees City Games and Great Tees XCountry and 'in principle'

funding for up to a further £1.575 million to secure the Games to take place after 2019 until 2025. The expenditure forecast for 2019 onwards is subject to the outcome of current delivery.

Culture - Destination Marketing Programmes

43. In March 2017 Cabinet approved a £1.8m programme of culture activity, which included a £1.05m allocation for a destination marketing programme. The programme is currently in delivery and aims to celebrate and communicate the very strong tourism assets Tees Valley already has, and ensure that we are ready to promote those which will be developed over the coming years. Focus has been put on to the creation of a destination marketing service with website, private sector engagement, product development and PR and marketing, and working closely with partner organisations to maximise success.

Delivering Sector Action Plans Programme

44. In February 2018 Cabinet approved an allocation of £1.9m through the Investment Plan for delivering sector action plans. It was agreed as part of the approval that individual projects would be approved on an individual basis as they come forward.

Education, Employment & Skills Strategy - Addressing Long Term Unemployment

45. In February 2018 Cabinet approved programme funding of £2m aimed at addressing long term unemployment through a targeted 15-18 programme of holistic support and a pilot a work experience programme for 16-18 year olds. The operating model for the delivery of these programmes is still to be developed with expenditure forecast across 2019/20 and 2020/21.

Education, Employment & Skills Strategy – Business Challenge and Workforce Planning

46. In February 2018 Cabinet approved programme funding of £1.5m for a programme of workforce planning support to businesses. The operating model for the delivery of this programme is still to be developed with expenditure forecast across 2019/20 and 2020/21.

Education, Employment & Skills Strategy – Creating a Tees Valley Careers & Enterprise Initiative

47. In February 2018 Cabinet approved funding of £3m for a programme of work to create a Tees Valley Careers and Enterprise Initiative. This programme will provide more effective, informed and high quality Careers and Enterprise education in all educational establishments including primary schools in the Tees Valley area. The aims of the new initiative will better align careers and enterprise education in schools to business needs and improve the experiences of young people to ensure they are better informed and prepared for work. The aim is to engage 1,000 businesses in careers education across all schools and from Key Stage 2, age 7 upwards.

Education, Employment & Skills Strategy – Developing a Skills System for Business Growth

48. In February 2018 Cabinet approved funding of £2m for a programme of work to develop post-16 technical business led route ways. This programme aims to ensure skills

provision is focused on meeting the skills gaps in the local economy by reducing the skills gaps by employers in high growth sectors. Helping businesses create higher level apprenticeships including degree level that lead to high quality jobs. Expanding the opportunity for young people to take up apprenticeships and access high quality technical education. Improving skills route ways to entry level and good progressive jobs. The operating model for the delivery of this programme is still to be developed with expenditure forecast across 2019/20 and 2020/21.

Education, Employment & Skills Strategy – Supporting Education Innovation and Collaboration

49. In February 2018 Cabinet approved funding of £2m for a programme of work to support education innovation and collaboration. The aim of the programme is to help meet the education workforce challenge by recruiting and retaining high quality teachers into the Tees Valley. It aims to improve high quality technical education routes for young people into high quality jobs and support collaborative pilot scheme that improve outcomes for pupils. The development of the operating model for the delivery of this programme is currently on hold subject to the detail of a Government announcement in October 2018 regarding the £24m Opportunity North East programme.

Feethams Grade A Office Development

50. In February 2018 Cabinet approved £3.23m investment for the construction of 3,264sqm of Grade A office accommodation in Darlington town centre. The budget identifies £3.13m forecast expenditure in 2019/20 and 2020/21. The remaining £100k has been recovered for previous development costs.

Hartlepool Centre of Excellence in Technical Training for the Creative Industries

51. Approved under delegated decision in December 2017 for £656k the centre aims to bring back into use the mothballed £4.5m Northern Lights Academy facility and turn it into a Centre of Excellence in Technical Training for Creative Industries for young people. It will target emerging technologies and industry growth sectors including traineeship and apprenticeships in TV and Film, Sound Production, Theatre and Live Event production and Digital Media.

Hartlepool Innovation Skills Quarter

52. Building on the completion of the impressive new Northern School of Art, this project progresses Hartlepool Borough Council's exciting vision for the creation of an Innovation and Skills Quarter. The project aims to encourage the growth of a creative industries cluster, capitalising on graduates from The Northern School of Art and Hartlepool College and changing the mix of businesses in Church Street, encouraging daytime business and leisure uses.

Hartlepool Western Growth Corridor

53. Approved funding of £4.173m by Cabinet in July 2018, this project consists of the development of a by-pass for the Village of Elwick and an overbridge and compact grade separation at the current Elwick North junction to the A19, which will improve the strategic and local road network. This will provide a third main route into Hartlepool, enabling the development of significant levels of new housing in the West of the Borough.

Ingenium Parc – Phase 1

54. The project was approved by Cabinet in November 2017 and £3.9m was allocated in the provision of enabling infrastructure to unlock 11.5ha of key employment land located within Darlington's Eastern Urban Fringe to ensure it is development ready.

Routes to Work

55. As outlined in paragraph 23 of this report, £6m of Routes to Work programme funding was secured from the Department of Work and Pensions (DWP), matched by £1.5m from the Combined Authority. The programme provides holistic support from a range of service providers for those unemployed or economically inactive individuals aged 30+ across the Tees Valley area, who are deemed to need the most help and support to move back into work. This includes many elements with the primary focus being on the individual. It provides the opportunity to identify and address multiple barriers that some people face when trying to access work and does not solely focus on providing training courses. The Combined Authority match funding of £1.5m will only be expended after the £6m DWP funds have been utilised, hence it is forecast to be spent in 2020/21.

Sustainable Access to Employment Programme

56. This four-year £8.3m programme was included in the original Growth Deal and contributes to delivering a high value, low carbon economy by promoting the use of sustainable modes of transport to reduce congestion and cut emissions. It also aims to improve accessibility to employment opportunities for Tees Valley residents through the improvement of walking and cycling access between key employment and housing sites and access to existing transport networks. The remaining £1.2m of this programme will be delivered in 2019/20.

Sustaining 16+ Facilities Capital

57. In 2017 Cabinet approved an allocation of £3.5m for sustaining 16+ facilities capital. The funding is available to support the sustainability of further education colleges following the post-16 education area review via an application process. For the budget plan period £2.535m of this funding remains available for capital investment.

Youth Employment Initiative Extension

58. In 2016 Cabinet approved an allocation of up to £2.06m to act as a required 25% match as part of the overall programme budget. This allocation secured up to an additional £6.188m of European Structural Fund for the Tees Valley.

Development fund commitments

59. For the plan period forecast expenditure on development funding equates to £0.83m. The detail of the projects to incur this expenditure are set out at **Appendix 3**.

Investment Plan Allocations

60. On 24 January 2019 Cabinet approved a 10 year Investment plan, making new commitments of £588m to 2029. Of this £348m will be invested within the MTFP period. **Appendix 4** presents the financial plan for the Investment Plan and the key themes for new commitments.

SPECIFIC GRANT EXPENDITURE

61. Expenditure against specific grants broadly follows funding receipt, descriptions of each is set out in the funding section of this report apart from the SSI Task Force grants which is described below.
62. It is anticipated that at 31 March 2019 there will be £14m of specific grant funding held in the balance sheet all of which will be expended during the plan period and all specific grant programmes will be completed within the budget plan period with the exception of the annual Adult Education Budget, Local Transport Plan and Concessionary Fares. A number of the grant schemes are delivered by the Combined Authority directly with associated staff resources which are funded directly from the grant itself.
63. During 2015/16 the Government announced an £80m funding package to provide economic support for those employees impacted (directly and indirectly) by the closure of the SSI plant in Redcar, of which £47m was channelled through the Combined Authority and managed by the SSI Task Force. To date 93% of the funding is committed and the remaining projects and programmes are currently working their way through the assurance process.

Specific grant expenditure	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	'000	£'000	£'000	£'000
Routes to Work	2,218	2,439	1,211	0	0	3,650
BEIS Growth Hub	246	246	0	0	0	246
National Productivity Investment Fund	3,274	5,050	0	0	0	5,050
DfT Access Fund	1,109	1,051	0	0	0	1,051
ERDF (Business Compass)	4,494	6,843	0	0	0	6,843
ERDF Legacy	0	3,666	3,667	3,667	0	11,000
Great Places	711	528	0	0	0	528
Adult Education Budget	392	20,079	30,000	30,000	30,000	110,079
Careers & Enterprise	60	50	21	0	0	71
SSI Task Force	8,256	14,209	0	0	0	14,209
Local Transport Plan	13,943	13,943	13,943	13,943	13,943	55,772
Concessionary Fares Funding	16,706	16,706	16,706	16,706	16,706	66,824
Other	2,455	0	0	0	0	0
Total	53,864	84,810	65,548	64,316	60,649	275,323

CORE COSTS

64. More than 96% of all Combined Authority funding is invested, with less than 4% being utilised for core costs. For the 2019/20 budget it is planned to remain within the current 2018/19 funding envelope for core costs.
65. One-off costs are incurred for mayoral elections, with the previously agreed budget of £0.6m for 2020-21.

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core costs	4,813	4,813	4,813	4,813	4,813	19,252
Mayoral election	-	-	600	-	-	600
Total	4,813	4,813	5,413	4,813	4,813	19,852

66. The table below sets out the proposed core costs budget for 2019/20 and the previously agreed budget for 2018/19. A more detailed breakdown of running cost budgets are provided at **Appendix 5**.

Core costs	2018/19	2019/20
Salaries	3,113,332	3,113,332
National Insurance	340,722	340,722
Pension Contribution	478,858	478,858
Other Staffing Costs	15,000	15,000
Total Staff Costs	3,947,912	3,947,912
Premises	336,000	336,000
General Running Costs	369,000	369,000
Marketing & Communications	160,000	160,000
Non-Salary Expenditure	865,000	865,000
TOTAL EXPENDITURE	4,812,912	4,812,912

67. In the current year we are projecting savings of approximately £292k, comprising £341k underspend on salaries (vacant posts and vacancies filled during year) offset by an additional £49k in non-staffing costs (a one-off backdated premises charge, additional expenditure for the purchase of a secure file sharing facility and Chief Executive recruitment costs).

RESERVES

68. Good practice guidance for Local Authorities is that a proportion of net revenue expenditure should be held in the General Balance Reserve to manage risk and any unforeseen circumstances. As agreed in the 2018/19 Budget we consider that the

appropriate way of identifying the net revenue of the Combined Authority for this purpose is to take the average of the risk-based revenue that we expect to receive over the period of the MTFP and hold a proportion of this in the General Reserve. This will require us to set the General Reserve Balance at £1.058m which is an increase of £96k from the current reserve of £962k.

MEDIUM TERM FINANCIAL PLAN 2019-23

69. Funding and expenditure for the plan period, including the proposed 2019/20 budget is summarised in the medium term financial plan as set out in **Appendix 6**. The medium term financial plan is also set out based on Investment Plan themes at **Appendix 7**.

FINANCIAL IMPLICATIONS

70. This report sets the budget for the Combined Authority under the context of the agreed Investment Plan. This report does not propose any amendments to the Investment Plan.

LEGAL IMPLICATIONS

71. As a Mayoral Combined Authority we are legally required to set a budget for the coming financial year and a Medium Term Financial Plan covering the coming financial year and the three years thereafter.

RISK ASSESSMENT

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

CONSULTATION

73. Consultation was undertaken with the public and key stakeholders between 30 November 2018 and 6 January 2019.

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Appendix 1

Investments against the single pot approved by Cabinet since the 2018-19 Budget was agreed

	£ '000
Feethams Grade A Office Development	3,230
Snow Centre	250
Education, Employment & Skills Strategy	10,500
Kirkleatham Catering Academy and Walled Garden	3,660
Culture: City games	1,915
Culture: Rugby League World Cup Bid	250
Annimersion	39
Middlesbrough Station	2,500
Darlington Station	3,000
Stockton Riverside College - Redcar College IT Infrastructure	968
TVCA Hydrogen Transport Deployment Bid	80
TWI Joint Hydrogen Business Development Manager	60
Hartlepool Western Growth Corridor	4,173
National Museum of the Royal Navy Hartlepool	499
Liberty Steel Grant	1,000
Liberty Steel Loan	3,600
10 year Investment Plan	588,200
TOTAL	623,924

Appendix 2

10 Year Investment Plan Borrowing

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	49,400	40,000	48,650	49,240	41,300	12,800					241,390
	MTFP Period Total			187,290							
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan Principal Repayment	0	1,500	2,800	4,500	6,400	8,100	8,800	9,000	9,200	9,400	59,700
Loan Interest	0	1,095	1,989	3,005	4,000	4,800	4,900	4,700	4,500	4,300	33,289
	MTFP Period Total			14,889							

Appendix 3

Forecast expenditure on approved investments in the plan period

SINGLE POT APPROVED INVESTMENTS EXPENDITURE	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
A689 Wynyard Improvements	2,525				2,525
Apprentice Grant For Employers	450				450
Business Finance Scheme	1,500	1,750	1,750		5,000
Careers & Enterprise Programme	60				60
CPI Healthcare Futures Centre (Personalised Medicines)	3,750	6,250			10,000
Culture: Building Cultural Capacity	25				25
Culture: City games & Cross-Country	340	340	245	340	1,265
Culture: Destination Marketing Programmes	378				378
Delivering Sector Action Plans Programme	1,900				1,900
Education, Employment & Skills Strategy - Addressing long term unemployment (15-18 programme & work experience)	1,000	1,000			2,000
Education, Employment & Skills Strategy - Business challenge and workforce planning	750	750			1,500
Education, Employment & Skills Strategy - Creating a TV Careers & Enterprise Initiative	1,250	1,250			2,500
Education, Employment & Skills Strategy - Developing a skills system for business growth	1,000	1,000			2,000
Education, Employment & Skills Strategy - Supporting education innovation and collaboration	1,000	1,000			2,000
Feethams Grade A Office Development	1,663	1,467			3,130
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	344				344
Hartlepool Western Growth Corridor	2,673				2,673
Hartlepool ISQ	1,600	1,600	1,600		4,800
Ingenium Parc - Phase 1	1,600				1,600
Routes to Work		1,500			1,500
Sustainable Access To Employment Programme	1,208				1,208
Sustaining 16+ Facilities Capital	2,535				2,535
Youth Employment Initiative Extension	2,060				2,060
TOTAL	29,611	17,907	3,595	340	51,453
DEVELOPMENT FUND APPROVED EXPENDITURE	2019/20	2020/21	2021/22	2022/23	TOTAL
District Heating Commercialisation Stage	400	0	0	0	400
Eaglescliffe Station Western Access	329	0	0	0	329
Kirkleatham Estate Investment Project	103	0	0	0	103
TOTAL	832	0	0	0	832

Appendix 4

10 Year Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	TOTAL
Transport	47,900	19,600	26,600	36,300	23,800	23,600	20,300	19,500	19,500	19,600	256,700
Education, Employment & Skills	7,500	7,500	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	55,000
Business Growth (including enabling infrastructure)	38,700	19,200	29,200	19,200	19,200	4,200	4,200	4,200	4,200	4,200	146,500
Culture & Tourism	1,000	11,000	11,000	15,000	15,000	7,000	0	0	0	0	60,000
Research, Development & Innovation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Place	10,000	10,000	10,000	10,000	10,000	0	0	0	0	0	50,000
	107,100	69,300	83,800	87,500	75,000	41,800	31,500	30,700	30,700	30,800	588,200
	MTFP Period Total			347,700							

Appendix 5

Detailed Running cost budget 2019/20

Budget Heading	Budget 2018/19	Budget 2019/20
Premises		
Electricity	33,000	33,000
Rates	87,000	87,000
Rents and Leases	196,000	196,000
Repairs and Maintenance Condition	8,000	8,000
Cleaning and Domestic Contracts	12,000	12,000
	336,000	336,000
Transport		
Transport Fares - Payroll	12,000	12,000
Transport Fares - Non Payroll	60,000	60,000
	72,000	72,000
General Running Costs		
Catering, Food & Drink	2,000	2,000
Equipment/Furniture/Materials	3,000	3,000
Room/Facility Hire	3,000	3,000
ICT - Hardware	3,000	3,000
ICT - Software / licences	30,000	30,000
Insurance	35,000	35,000
Printing & Photocopier	1,000	1,000
Professional Fees & Consultancy	6,000	6,000
External Audit Fees	30,000	30,000
Stationery	2,000	2,000
Subscriptions & Memberships	32,000	32,000
Staff Expenses	15,000	15,000
Telecommunications	4,000	4,000
Mail Services	1,000	1,000
	167,000	167,000
Support Costs		
Financial Support (including Treasury Management, VAT advice)	20,000	20,000
Internal Audit	2,000	2,000
Risk Management & Insurance	2,000	2,000
ICT	33,000	33,000
Printing	7,000	7,000
HR	12,000	12,000
Voice & Data Network	29,000	29,000
Monitoring Officer / Legal Support	24,700	24,700
	129,700	129,700
Marketing & Communications	160,000	160,000
Total Running Costs Budget	864,700	864,700

Appendix 6

Medium Term Financial Plan 2019-23

MEDIUM TERM FINANCIAL PLAN	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
Single Pot Income	47,034	55,215	48,347	50,918	201,514
Specific Grant Income	70,701	65,548	64,316	60,649	261,214
Borrowing	49,490	40,000	48,650	49,240	187,380
TOTAL INCOME	167,225	160,763	161,313	160,807	650,108
Approved Investments	29,611	17,907	3,595	340	51,453
Development Fund Commitments	832	0	0	0	832
Specific Grant Expenditure	84,810	65,548	64,316	60,649	275,323
10 Year Investment Plan	107,100	69,300	83,800	87,500	347,700
Core Costs	4,813	5,413	4,813	4,813	19,852
Cost of Borrowing	0	2,595	4,789	7,505	14,889
TOTAL EXPENDITURE	227,166	160,763	161,313	160,807	710,049
TRANSFER TO / FROM RESERVES	-59,941	0	0	0	-59,941
Usable Reserves Opening Balance	59,941	0	0	0	
Transfer To / From Reserves	-59,941	0	0	0	
USABLE RESERVES CLOSING BALANCE	0	0	0	0	

Appendix 7

Medium Term Financial Plan 2019-23 – Investment Plan Themes

EXPENDITURE BY INVESTMENT PLAN HEADINGS	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
Transport	74,350	33,543	40,543	50,243	198,679
Education, Employment & Skills	42,117	46,832	36,600	35,000	160,549
Business Growth (Including Enabling Infrastructure)	69,100	26,084	34,617	19,200	149,001
Culture & Tourism	2,271	11,340	11,245	15,340	40,196
Research, Development, Innovation & Energy	5,750	8,250	2,000	2,000	18,000
Place	10,000	10,000	10,000	10,000	40,000
Development Pot	832	0	0	0	832
INVESTMENT PLAN EXPENDITURE	204,420	136,049	135,005	131,783	607,257
SSI Schemes Not In Investment Plan	1,227	0	0	0	1,227
Concessionary Fares	16,706	16,706	16,706	16,706	66,824
Core Running Costs	4,813	5,413	4,813	4,813	19,852
Cost of Borrowing	0	2,595	4,789	7,505	14,889
NON-INVESTMENT PLAN EXPENDITURE	22,746	24,714	26,308	29,024	102,792
TOTAL EXPENDITURE	227,166	160,763	161,313	160,807	710,049

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

This pay policy statement applies to the financial year 2019/20.

Introduction

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

Chief Officers and Senior Management Team

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

Job Title	Grade	Salary
Chief Executive	Chief Executive	£139,077
Business Director	Assistant Director 1	£91,044
Finance Director	Assistant Director 1	£91,044
Investment Director	Assistant Director 1	£91,044
Strategy Director	Assistant Director 1	£91,044
Head of Communication and Marketing	SM 1	£76,997
Head of Culture and Tourism	SM 1	£76,997
Head of Education, Employment and Skills	SM 1	£76,997
Head of Finance, Resources and Housing	SM 1	£76,997
Head of Transport	SM 1	£76,997

4. Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment.
5. Positions within the Combined Authority, including senior posts, are set in line with posts of similar levels of responsibility within Stockton-on-Tees Borough Council. The salaries for Chief Officers have been determined through independent analysis and benchmarking and reflect rates which are reasonably sufficient to recruit and retain senior officers, taking into account market conditions. The grades attributable to Chief Officer posts are subject to job evaluation and based on clear salary differentials which reflect the level of responsibility attached to any particular role.
6. Chief Officers do not receive bonus payments or performance related pay nor do they receive any benefits in kind paid for by the employer. Where a Chief Officer meets the criteria for entitlement to expenses these are paid in accordance with the Combined

Authority's policies, aligned with those of Stockton-on-Tees Borough Council. Increases in pay for Chief Officers will occur only as a result of:

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

Payments to Chief Officers upon termination of their employment

9. Chief Officers who cease to hold office or be employed by the Combined Authority will receive payments calculated using the same principles as any other member of staff, based on entitlement within their contract of employment, their general terms and conditions, and existing policies. The Combined Authority adopts the policies of Stockton-on-Tees Borough Council, for application in these circumstances.
10. In the case of termination of employment by way of early retirement, redundancy (voluntary or otherwise) or on the grounds of efficiency of the service, the Pensions and Retirement Policy sets out provisions which apply to all staff regardless of their level of seniority. The Pensions and Retirement Policy also sets out the applicable provisions in respect of awarding additional pension entitlement by way of augmentation or otherwise.
11. Where a severance package is to be paid, where taken as a whole, has a cost to the authority of £100,000 or more (subject to paragraph 19 below), the Cabinet will be given an opportunity to vote before the package is approved. Employees who would be contractually entitled to payments in excess of £100,000 where there is no discretion and a failure to comply would place the Combined Authority in breach of contract and leave it exposed to litigation would be exempt from the requirement of such a vote.
12. The Government is proposing to introduce a cap on Public Sector Exit Payments. The Combined Authority will amend its policy and payments made on termination to reflect any changes in legislation.

Employment of Individuals Already in Receipt of a Local Government Pension

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

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

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

Remuneration of Lowest Paid Employees

15. Stockton Borough Council introduced its Single Status Agreement on 1st April 2008, and this framework has been adopted by the Combined Authority. The lowest paid employees within the Combined Authority are appointed to jobs which have been evaluated using the NJC Job Evaluation Scheme and are remunerated accordingly.
16. The Combined Authority has proposed to adopt the recommendations of the Living Wage Foundation, in respect of directly employed staff. If adopted by Cabinet as part of the proposed Budget, the Combined Authority's pay and grading structure will be applied in such a way as to ensure that no employee receives a minimum hourly pay of less than £9.00.
17. From 1st April 2016, in line with the policies of Stockton-on-Tees Borough Council, the Combined Authority agreed to pay its apprentices the National Minimum Wage relating to age (starting at £4.20 per hour for 16 to 18 year olds, compared to the national apprentice rate of £3.70 per hour). Given the specific nature of these appointments, apprentices have not been included within the definition of lowest paid employees for the purposes of this policy statement.
18. The 2018/19 pay deal included a commitment for the NJC to review the "Green Book" pay spine. A new pay spine has been agreed as part of the 2018-20 pay deal and is due to be implemented locally by local authorities from 1st April 2019. The impact of the new pay spine has been evaluated in line with the Combined Authority's commitment to continue adopting the Living Wage Employer recommendations in respect of directly employed staff, that it does not detriment any part of the Combined Authority's workforce and to deliver a proposal which is affordable and within the Combined Authority's Medium Term Financial Plan.

Relationship between Chief Officer and Non-Chief Officer Remuneration

19. The 'pay multiple' for the Combined Authority is determined by comparing the pay of the highest paid employee (Chief Executive) against the median average pay, using hourly rates as at 31st December 2018, for employees within the scope of this statement.
20. The Combined Authority's current Median Hourly rate is £18.26 and the pay multiple (the ratio between the highest paid salary and the average salary of the whole of the Combined Authority's workforce) is 3.95.

General Principles Regarding the Remuneration of Staff

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

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

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

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AGENDA ITEM 10**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE HEAD OF
FINANCE AND RESOURCES****TREASURY MANAGEMENT STRATEGY MID TERM REVIEW 2018/19****SUMMARY**

This report informs Cabinet of the mid-year performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by the Combined Authority in March 2018. The Combined Authority Audit and Governance Committee considered the report at their meeting on 29th November.

RECOMMENDATION

It is recommended that the Combined Authority Cabinet note the report.

DETAIL

1. The Combined Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
2. Combined Authority's Treasury Management strategy for 2018/19 has received approval at the 28th March 2018 meeting. The Combined Authority has invested substantial sums of money and is therefore exposed to financial risks - including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Treasury Management strategy.
3. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter. In England the Ministry for Housing Communities and Local Government (MHCLG) published its revised Investment Guidance which came into effect from April 2018.
4. The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy for 2019/20, which is to be a summary document

approved by Cabinet, covering capital expenditure, financing, Treasury Management and non-treasury investments. The Authority will be producing its Capital Strategy later in 2018-19 for approval by Cabinet.

EXTERNAL CONTEXT

5. Economic background: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August Inflation Report, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.
6. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.
7. The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.
8. The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.
9. There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

LOCAL CONTEXT

10. On 31st March 2018, the Combined Authority had net investments of £91.0m arising from its revenue and capital income and expenditure. The underlying need to borrow

for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.18 Actual £m
General Fund CFR	0
Less: Other debt liabilities	0
Borrowing CFR	0
Less: Usable reserves	-94.93
Less: Working capital	3.93
Net investments	-91.00

11. Combined Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

12. The Treasury Management position at the 30th September 2018 and the change during the period is show in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	Movement £m	30.9.18 Balance £m
Long-term borrowing	0.0	0.0	0.0
Short-term borrowing	0.0	0.0	0.0
Total borrowing	0.0	0.0	0.0
Long-term investments	0.0	0.0	0.0
Short-term investments	-65.0	-10.0	-75.0
Cash and cash equivalents	-26.0	-2.0	-28.0
Total investments	-91.0	-12.0	-103.0
Net investments	-91.0	-12.0	-103.0

13. The increase in total investments in table 2 represents funding received in advance of expenditure.

BORROWING STRATEGY DURING THE PERIOD

14. On the 30th September 2018 the Combined Authority had received the relevant powers required to borrow, but did not enter into any borrowing agreements. All expenditure of a capital nature was funded through grants and contributions.

TREASURY INVESTMENT ACTIVITY

15. The Combined Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the average monthly investment balance ranged between £124m and £102m, due to timing differences between income and expenditure. The investment position on the 30th September is shown in table 3 below.

Table 3: Treasury Investment Position

	31.3.18 Balance £m	Net Movement £m	30.9.18 Balance £m
Banks & building societies (unsecured)	-33.0	-7.0	-40.0
Government (incl. local authorities)	-35.0	0.0	-35.0
Money Market Funds	-23.0	-5.0	-28.0
Total investments	-91.0	-12.0	-103.0

16. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum 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.

17. In furtherance of these objectives, and due to the high level of investments we have continued diversification so that limits with counterparties set within the treasury management strategy were not breached. Funds were diversified between Money Market Funds, Banks and Local Authorities. Due to the developing capital expenditure plans of the Authority it was not prudent to diversify further into higher yielding asset classes during the first part of 2018/19. The progression of risk and return metrics are shown in the extracts from Arlingclose quarterly investment benchmarking in table 4 below.

Table 4: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return %
31.03.2018	4.35	AA-	62%	35	0.48%
30.06.2018	4.53	A+	70%	66	0.62%
30.09.2018	4.17	AA-	66%	82	0.69%
Similar LAs	4.23	AA-	58%	60	1.21%
All LAs	4.1	AA-	60%	37	1.25%

*Weighted average maturity

18. Due to the interest rate rise the Authority has been able to secure higher rates as the year progressed and initial investments matured. The intention during the remainder of 2018/19 is to invest funds over longer periods as opportunities arise which hopefully will mean the authority should achieve higher rates of return.

NON-TREASURY INVESTMENTS

19. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return. The Authority does not hold any such investments.

COMPLIANCE

20. The Head of Finance and Resources reports that all Treasury Management activities undertaken during the first part of the year, fully complied with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 5 below.

Table 5: Debt Limit

	Maximum in Year	30.9.18 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied? Yes/No
Borrowing	£0	£0	£75m	£100m	Yes
PFI and Finance Leases	£0	£0	£0	£0	Yes
Total debt	£0	£0	£75m	£100m	

21. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt never exceeded the operational boundary during the six-month period. Compliance with specific investment limits is demonstrated in table 6 below

Table 6: Investment Limits

	Maximum in Year	30.9.18 Actual	2018/19 Limit	Complied? Yes/No
Any single organisation, except the UK Government	£27.5m	£27.5m	£15m per organisation	Yes
UK Government / LA's	£55m	£35m	Unlimited	Yes
Any group of organisations under the same ownership	£0m	£0m	£15m per organisation	Yes
Any group of pooled funds under the same management	£0m	£0m	£37.5m	Yes
Negotiable instruments held in a broker's nominee account	£0m	£0m	£37.5m	Yes
Limit per non-UK country	£0m	£0m	£15m	Yes
Registered providers	£0m	£0m	£37.5m	Yes
Unsecured investments with building societies	£12.5m	£12.5m	£15m	Yes
Loans to unrated corporates	£0m	£0m	£15m	Yes
Money Market Funds	£66m	£28m	£75m	Yes

TREASURY MANAGEMENT INDICATORS

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

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed / interest payable was:

	30.9.18 Actual	2018/19 Limit	Complied?
Upper limit on fixed interest rate exposure	-£0.226m	£20m	Yes
Upper limit on variable interest rate exposure	-£0.116m	£20m	Yes

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

24. 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 all borrowing were:

	30.9.18 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	0%	25%	0%	Yes
12 months and within 24 months	0%	40%	0%	Yes
24 months and within 5 years	0%	60%	0%	Yes
5 years and within 10 years	0%	80%	0%	Yes
10 years and above	0%	100%	0%	Yes

25. Principal Sums Invested for Periods Longer than 365 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	2019/20	2019/21
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£60m	£40m	£20m
Complied?	Yes	Yes	Yes

OUTLOOK FOR THE REMAINDER OF 2018/19

26. Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

27. The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

28. Arling close's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly

strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca:	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

29. The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

FINANCIAL IMPLICATIONS

30. Treasury Management Investment activity during the 6 months to 30th September 2018 generated income of £341.5k.

LEGAL IMPLICATIONS

31. There are no legal implications in this report.

RISK ASSESSMENT

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

CONSULTATION

33. The Combined Authority Audit and Governance Committee considered the report at their meeting on 29th November 2018.

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AGENDA ITEM 11**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE
INVESTMENT DIRECTOR****PORTFOLIO: INVESTMENT & BUSINESS GROWTH****INVESTMENT PLAN DELIVERY REPORT****SUMMARY**

This report sets out progress made to date on delivering the Tees Valley Combined Authority Investment Plan which was published in April 2017. It provides:-

- General updates since the last report (30th November 2018) on the spend position, forecast and recent approvals;
- a general update on the strategic prioritisation exercise;
- an update on the ERDF & ESF;
- an update on the evaluation of devolution funding to be undertaken by SQW; and
- an update on the review of the Combined Authority's Assurance Framework.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- Notes the current position of the investment programme and project updates since the previous report to July Cabinet.
- Notes the general update on the strategic prioritisation exercise.
- Notes the current position on the SQW review work.
- Notes the current position on reviewing the Assurance Framework.
- Approves the funding of the Collaborative Networks programme.
- Notes the change request for £515,000 of grant funding from the Combined Authority in respect of the unexpected costs for the BIS and Church Square elements of the ISQ Phase 1 project.

DETAIL

CURRENT SPEND POSITION & FORECAST

1. The table below shows the spend position in 2017/18 and forecasted expenditure for 2018/19 (excluding European funding specific grants):

	2017/18 £ million	2018/19 £ million
Forecasted Spend £ million	£25m	£74m*
Achieved Spend £ million	£25m	£21m

*Previous forecasted spend for 2018/19 included anticipated spend on pipeline projects; however due to the prioritisation exercise this figure may change. Once the prioritisation exercise is complete we will bring forward a revised 10 year investment programme which will update this figure.

2. Government is monitoring spend closely on LGF and as at the end of Quarter 2 18/19, we are currently on track against forecast spend.
3. The table below shows the current position on European Funding. All Combined Authority pipeline projects are considered for eligibility to access these funds and applications progressed where suitable.

	£M	£M	£M	£M	£M
	ORIGINAL ALLOCATION	REVISED NOTIONAL ALLOCATION	CONTRACTED	PIPELINE	AVAILABLE
ERDF	96.2	111.4	38.1	37.8	42.2
ESF	74.4	84.5	35.4	21.4*	27.6
EAFRD	1.1	1.1	0.6	1.0	-0.5
TOTAL	171.7	197.0	74.1	59.48	69.3

* Procurement for four Education and Skills Funding Agency opt-ins (funding specifications) with a total value of £19.4m, took place during October. The outcome of this procurement exercise will not be known until early 2019, therefore, the full amount allocated has been included as pipeline.

PIPELINE & STRATEGIC PRIORITISATION EXERCISE

4. Work is ongoing with Management Group and Chief Executives to look at the strategy for prioritisation of projects in the current pipeline. An updated assessment matrix has been used in the review of the current pipeline and will be developed further for future EOIs within our updated Single Pot Assurance Framework.

DELIVERY

5. No further updates since the last report: delivery of the Investment Programme has accelerated as reported previously and is on track. Delivery is monitored closely by the Combined Authority. A delivery dashboard is being developed for future reports.

ASSURANCE FRAMEWORK

6. We are currently undertaking a full review of the Assurance Framework we have in place with Government and guidance is expected to be published by Government for consultation in early 2019. A revised Framework will be presented to a future Cabinet meeting for discussion and approval.

EVALUATION OF DEVOLUTION FUNDING – ANNUAL SQW REVIEW

7. Tees Valley is in receipt of £15m of annual financial support through its devolution deal with Government. The monitoring and evaluation of these monies is subject to evaluation under the National Evaluation Framework, delivered by SQW Ltd (economic consultants). The SQW review of Tees Valley will inform the 2021 Gateway Process, a five year review by Central Government to ensure devolution deal monies have been appropriately spent.
8. All programmes in receipt of support under the devolution deal must be evaluated in accordance with guidelines developed by SQW and the Combined Authority and agreed with Central Government.
9. The proposed monitoring and evaluation framework is in two parts and will cover all activities supported under the Single Pot and will subsequently contribute to the first Gateway Review (2021), including:
 - National Performance: using an agreed list of metrics (formed into detailed logic models), the evaluation will assess performance of Tees Valley against key indicators in order to assess progress; and
 - Local Performance: in order to provide 'local granularity and assess value for money' the specialist panel of external evaluators will develop a local evaluation methodology for all relevant programmes (dependent on the degree of progression of each programme, they will either be assessed solely by outputs (for early stage programmes) or impact driven (for those which are either completed or close to completion by 2020)) incorporating the national performance indicators but augmented by outputs and impacts specific to the range of projects supported by the Tees Valley single pot.
10. The Combined Authority has to date developed a draft monitoring and evaluation framework (which includes revenue and capital logic models for all six Strategic Economic Plan themes) and has shared preliminary case work with SQW, which will be used to develop a consistent approach to monitoring and evaluation. SQW are reviewing the Combined Authority's information at the present time.

COLLABORATIVE NETWORKS

11. The Collaborative Networks Programme was approved subject to due diligence at Cabinet in December 2017 as part of the Sector Action Plan implementation.
12. The three year, £1.7m programme is composed of two distinct activities: supply chain support and programme consortia development in support of enhanced and will be delivered to small and medium enterprises. It is anticipated that the Programme will have the following outputs:
Supply chain diversification:
 - To deliver specialist (sector specific) diagnostic and brokerage support to 180 companies seeking to enter relevant supply chains by 2022;
 - To deliver intensive (on-site) support to 60 companies seeking to enter relevant supply chains by 2022;
Enhanced innovation:
 - To develop 24 collaborative networks to develop a robust business case to address a recognised challenge by 2022; and
 - To ensure the development of 6 high potential spin outs by 2022.
13. The anticipated impact of the programme is to create circa £8m of additional GVA and 38 jobs. The programme has undergone due diligence under the local assurance framework and is recommended for support.

Change Request - ISQ Phase 1

14. The first phase of the approved Innovation and Skills Quarter project (ISQ 1b) incorporates the conversion of the Grade II listed former Post Office on Whitby Street to create a centre for business start-ups in the creative sector (BIS), and also includes major streetscape and connectivity improvements within Church Street, Church Square and the Stockton Street area of Hartlepool.

The original project approval was for £8,275,112 which comprises £5,500,000 LGF and £2,775,112 match funding provided by HBC.
15. The costs of both the BIS and Church Square elements of this phase of the project have subsequently increased by £1,290,000. The unexpected costs relating to the BIS have primarily occurred due to the challenging nature of the Grade II listed building which has led to delays in the programme and the extra costs relating to Church Square which are due to unexpected complications with services and fibre optic cables, increased preliminary costs and supply rates.
16. HBC are committing an additional £775,000 match funding towards this unexpected cost increase. This leaves a funding gap of £515,000 which HBC have stated they are unable to cover.
17. In addition to the £775,000, HBC has also committed £95,000 per year for the first two years of operation to subsidise the operation of BIS and £1,445,000 to a public realm scheme to kick start the redevelopment of the Hartlepool Waterfront. HBC has confirmed that HLF, Arts Council and European funding are all ineligible as works have already commenced, the application timescales are incompatible and there are

no other sources of funding available and no revenue streams that could support prudential borrowing.

18. HBC sought £515,000 Combined Authority investment to fund the remaining share of the increase in costs gap identified, and this was discussed at Tees Valley Management Group. Cabinet is asked to note the allocation of this additional funding to the project.

FINANCIAL IMPLICATIONS

19. The £1.7m for the Collaborative Networks Programme will be funded from the Sector Action Plan budget.
20. The ISQ1b change request will commit £515,000 of grant funding sourced from the TVCAs single capital pot.
21. No other financial implications other than as set out in the report.

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

23. The main risk in respect of the Investment Plan is that significant delay in spending the funds the Combined Authority has available may impact on our ability to secure further funding from Government, under the 2021 Gateway Process referred to at paragraph 7 above, or under any other specific competitive funding opportunities that may arise. The Investment Plan Delivery Report itself is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

24. The strategy for prioritisation of projects in the current pipeline has been subject to consultation with Management Group and Chief Executives.

DELEGATED DECISIONS:

25. Development Funding – October 2018 and November 2018:

Project and Summary	TVCA Amount £	Approved Date
Local Industrial Strategy Development Consultancy support to support the development of the Tees Valley Local Industrial Strategy.	£100,000	4.10.2018

Funding has now been received from Government for the LIS development and this has been repaid into the Development Fund.		
New Tees Crossing To continue works on developing the business case for the New Tees Crossing project.	£300,000	1.11.2018
Darlington Link Road To continue works on developing the business case for the Darlington Link Road project.	£250,000	31.10.2018

26. Investment Commitments since last update.

Project	TVCA £	Summary	Assurance Framework
Hartlepool Waterfront Festival 2018	£63,755	Investment to allow the festival's continued development in becoming a 21 st century annual maritime arts festival that reflects on Hartlepool's sea-based heritage, provides a more attractive, artistic and impactful cultural offering in Hartlepool and ensures arts and cultural activity can be experienced by a diverse range of audiences.	Culture Programme – Business Case Assessment. Approval: Delegated Decision
Middlesbrough Art Weekender	£14,920	Middlesbrough Art Weekender (MAW) is a three day, grassroots contemporary arts festival held in Middlesbrough. The event provides a showcase for emerging local and international contemporary artists. Through seminars, workshops, exhibitions and performances, MAW will build on its founding year, nurturing legacy and creating a site of excellence in the Tees Valley for the creative industry and contemporary art practices.	Culture Programme - Business Case Assessment. Approval: Delegated Decision
Fujifilm Expansion - Belasis Avenue Road Closure/Diversion	£1m Grant	Funding the construction works, diversion and road closure on Belasis Avenue Road to facilitate and enable the expansion of Fujifilm Diosynth Biotechnologies.	Business Case Assessment

			Approval: November'19 Cabinet
Fujifilm BioCampus Phase 1	£7.062m (£1.625m Grant £5.437m Loan)	The investment will support the provision of 4,000 square metres of high specification office space, potentially convertible to laboratory space and will house circa 250 existing staff and support the attraction of 50 additional high value jobs.	Business Case Assessment Approval: November'19 Cabinet - Approved subject to due diligence.
Darlington Station Upgrade	Additional Investment of up to £25million	Funding will contribute to the overall cost of the rail infrastructure and station fabric component works of the upgrades to Darlington Station.	Approval: November'19 Cabinet - Approved subject to due diligence.
Middlesbrough Station Upgrade	Additional Investment of up to £20million	Funding the additional development of Middlesbrough Station due to planned increases in the number of rail services and improvements to the station facilities.	Approval: November'19 Cabinet - Approved subject to a number of conditions.

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AGENDA ITEM 12**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE
INVESTMENT DIRECTOR****PORTFOLIO: TRANSPORT****TRANSPORT – LOCAL MAJOR ROAD SCHEME UPDATE****SUMMARY**

This report provides an update on the development of Outline Business Cases (OBCs) for the New Tees Crossing and Darlington Northern Link Road funded by Department for Transport's (DfT) Large Local Major Schemes Fund (LLMs) since the previous Cabinet report dated 21st December 2017. It also outlines a proposed approach for continued development of the business cases for the two schemes and their delivery via an alternative source of Government funding than the LLMs process.

RECOMMENDATION

It is recommended that the Combined Authority Cabinet:

- i. Notes progress in developing proposals for a New Tees Crossing (NTC) and the Darlington Northern Link Road (DNLR);
- ii. Recommends that 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. Agrees to undertake formal public consultation in March 2019 on the NTC scheme (as part of the Stage 2 work); and
- iv. Continues the development of the DNLR proposals 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 we recommend the allocation of an additional £50,000 from uncommitted resources.

WORK TO DATE

1. Previous work considered a number of options for both schemes. In the case of the NTC, this discounted improvements to Newport Bridge and highlighted improvements on the existing Viaduct corridor as the most beneficial. The DNLR considered a number of corridors and highlighted an outer 'Route A' corridor as most compatible with the strategic road link requirements being developed. Following discussions with the DfT late last year, it was agreed that costs are high compared to the benefits on both schemes and therefore efforts should be made to reduce costs on both schemes.
2. Since the previous Cabinet report, a significant amount of development work has been undertaken on the two schemes, to reduce cost and improve value for money. For the NTC, further scheme development has identified a lower cost alternative (known as the 'Pinch Point Removal Scheme') to the previously recommended Viaduct Option. For the DNLR proposals, work has considered lower cost options, primarily a single carriageway link road with reduced size junctions, on a similar alignment to the previously recommended option.
3. To date £1.54 million has been spent on scheme development of both schemes (up to January 2019).
4. An additional £500,000 has been secured from DfT, with an indication that this should be spent specifically on the further development of the NTC proposals in advance of entering Highways England's RIS2 process, a decision on which is expected in Autumn 2019.

SCHEME BENEFITS

5. The current Draft OBCs show a compelling strategic case for both schemes, based around the DfT's stated objectives to ease congestion and provide upgrades on important national routes, to unlock economic growth and job creation opportunities and to enable the delivery of new housing developments. An economic case for the schemes, showing that they could deliver between them:
 - £861 million of savings to the UK economy;
 - 164,000 improved journeys each day;
 - 4,500 new jobs; and
 - 7,000 new houses;
 - A realistic financial case, based on updated cost estimates for each scheme, verified by a Tier 1 contractor in accord with Highways England best practice;
 - A benefit to cost (BCR) ratio of 2.27 for the Tees Crossing scheme, demonstrating Value for Money;

- The DNLR proposals show a BCR fluctuating between 1 and 1.5, demonstrating that more development work is required to identify a robust scheme to take forward; and
- a robust management case, showing how we would continue the strong and collaborative governance model that we have adopted to date to identify and mitigate the key risks to scheme delivery.

ROUTE OPTIONS

6. New Tees Crossing: more detailed appraisal of the Tees Viaduct Option has identified a lower-cost alternative. The Pinch Point Removal scheme will provide the following key improvements:
 - Facilitation of all existing turning movements at and between the A19/A66 and A19/A1046 interchanges, reducing the consequential impact on the operation of the A66/A1032 Newport Interchange;
 - A reduction in weaving movements on the southbound approach to the existing Tees Viaduct, together with widening of the existing structures at both Portrack Interchange (to three lanes) and the Viaduct (to four lanes) to create additional capacity;
 - Introduction of a new two lane river crossing for northbound traffic (to the west of the existing structure), addressing the existing merging issues associated with the A19/A66 interchange;
 - Additional reliability benefits, thereby contributing positively to the overall value for money of the scheme;
 - Fewer alterations to the existing A19/A66 interchange than the Viaduct proposal due to a reduced requirement to merge southbound traffic, thereby reducing the consequent impact on adjacent properties; and
 - Associated improvements on the section of the A66 between the Teesside Park and A19 interchanges, thereby addressing the existing merging and diverging issues for eastbound and westbound traffic.
7. Darlington Northern Link Road: more detailed appraisal of the options of the outer 'Route A' have identified options for a lower cost single carriageway alternative that:
 - Provides a dedicated strategic link between the A1(M) junction 59 and Little Burdon, to remove strategic traffic from the suburban A167 and A1150;
 - Includes provision along its length for an connection back towards Darlington;
 - Avoids high risk areas such as unstable ground conditions and areas susceptible to flooding along its alignment; and
 - Provides a greater buffer between the new road and Brafferton village.

8. Attached to this report are updated maps of the two schemes.

CONSIDERATIONS

9. The Cabinet is asked to consider the following in the continuing development of the NTC and DNLR proposals:
 - £750,000 funding support (£250,000 TVCA) to take forward the NTC proposals to complete Stage 2 of design development, hopefully leading to a Preferred Route Announcement in Summer 2019, for entry consideration in RIS2 by the end of 2019; and
 - £50,000 funding to complete assessment of the DNLR proposals to ascertain value for money, and maintain the scheme's readiness for funding, before further decisions are taken once more information is available on the DfT's Major Road Network (MRN) proposals, expected in Autumn 2019. It is expected that details of any future work would be presented at a future Cabinet.

FINANCIAL IMPLICATIONS

10. The proposal requires a contribution from the combined authority of up to £300,000 in addition to the £500,000 confirmed from the DfT, to support the continued development of the NTC and DNLR proposals.

LEGAL IMPLICATIONS

11. There are no specific legal implications at this stage of both projects.

RISK ASSESSMENT

12. At this stage of the scheme development process both the projects are categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.
13. There is a risk that one of both of these proposals fails to secure the required Government funding, and/or are accepted only in part. In these circumstances, the Combined Authority will reassess its funding strategy and consult further with Cabinet and Transport Committee members.

CONSULTATION & COMMUNICATION

14. A series of Public Information Events have been held, and a consultation questionnaire has been produced and publicised. There has also been engagement with key statutory stakeholders and businesses. A summary of the results of the public information events is produced and will be provided to those who took part, and also hosted on the TVCA website.
15. Additional consultation will be held as and when required, most notably formal Public Consultation in Spring 2019 on the NTC scheme (as part of the Stage 2 work).

16. This report has been considered by: Transport Advisory Group, Tees Valley Management Group, Tees Valley Chief Executives, Informal Cabinet and LEP Board prior to its presentation to Cabinet.

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Tees Crossing Pinch Point Removal Scheme



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Site Title Drawing

Client:
 Tees Valley
 High Point Intermodal Option
 (MSP - High Point)
 Overall Plan

NO.	REV.	DATE	DESCRIPTION
1	1	15/01/2014	Issue for Information

Scale: 1:1000
 Drawing No: 24445-ARUP-DM-45-04R-CH-0100

Darlington Northern Link Road Options

A3

