

**Date:** Friday December 20<sup>th</sup> 2019, at 10.30am

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

**Membership:**

Mayor Ben Houchen (Tees Valley Mayor)  
Councillor Heather Scott (Leader of Darlington Borough Council)  
Councillor Shane Moore (Leader of Hartlepool Borough Council)  
Mayor Andy Preston (Mayor of Middlesbrough)  
Councillor Mary Lanigan (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:**

Zoe Lewis (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)  
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**

Minutes of the meeting held on October 25<sup>th</sup> 2019 for confirmation.

**4. Matters Arising**

**5. Governance and Appointments**

Attached

**6. Budget 2020-21 and Medium Term Financial Plan – draft prior to consultation**

Attached

**7. Demand Responsive Transport Fare Structure**

This report is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

**8. Tees Valley International Airport Southside Business Park**

**9. Any Other Business**

**10. Date and Time of Next Meeting:**

Friday 31<sup>st</sup> January 2020 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: John Hart, 01642 524413 or [john.hart@teesvalley-ca.gov.uk](mailto:john.hart@teesvalley-ca.gov.uk)

## **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 (TVCA) CABINET

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 10.00am on  
Friday 25<sup>th</sup> October 2019**

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

<b><u>ATTENDEES</u></b>	
<b>Members</b>	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Councillor Heather Scott OBE	Leader, Darlington Borough Council
Councillor Shane Moore	Leader, Hartlepool Borough Council
Mayor Andy Preston	Mayor of Middlesbrough
Councillor Mary Lanigan	Leader, Redcar and Cleveland Borough Council
Councillor Bob Cook	Leader, Stockton-on-Tees Borough Council
<b>Associate Members</b>	
David Soley	Vice Chair of Tees Valley Local Enterprise Partnership
Angela Howey	Member of Tees Valley LEP
Zoe Lewis	Member of Tees Valley LEP
Annabel Turpin	Member of Tees Valley LEP
Brenda McLeish	Member of Tees Valley LEP
<b>Apologies for Absence</b>	
Paul Booth	Chair of Tees Valley Local Enterprise Partnership
Nigel Perry	Member of Tees Valley LEP
Professor Paul Croney	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
Mark South	Member of Tees Valley LEP
<b>Officers and Others in Attendance</b>	
Julie Danks	Chief Executive, Stockton-on-Tees Borough Council
Denise McGuckin	Director of Regeneration and Neighbourhoods, Hartlepool Borough Council
Rob Mitchell	Head of Policy and Performance, Redcar and Cleveland Borough Council
Tony Parkinson	Chief Executive, Middlesbrough Council
Julie Gilhespie	Chief Executive, Tees Valley Combined Authority
Gary MacDonald	Director of Finance and Resources, Tees Valley Combined Authority
Chris Beck	Director of Business and Skills, Tees Valley Combined Authority
Martin Waters	Goosepool Executive Director, Tees Valley Combined Authority
John Hart	Governance Manager, Tees Valley Combined Authority
Alison Fellows	Director of Commercial and Delivery, Tees Valley Combined Authority

Tom Bryant	Head of Transport and Infrastructure, Tees Valley Combined Authority
Neal Smith	Head of Communications, Tees Valley Combined Authority
Mike Russell	Business Finance Manager, Tees Valley Combined Authority
Alan Weston	Senior Project Manager, Tees Valley Combined Authority
Councillor Norma Stephenson OBE	Chair of Tees Valley Combined Authority Overview and Scrutiny Committee/Stockton Borough Council
Councillor Denise Rooney	Vice Chair of Tees Valley Combined Authority Overview and Scrutiny Committee/Middlesbrough Council.

<b>TVCA 26/19</b>	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were submitted as detailed above.
<b>TVCA 27/19</b>	<b>DECLARATIONS OF INTEREST</b>  None.
<b>TVCA 28/19</b>	<b>MINUTES OF PREVIOUS MEETING</b>  RESOLVED that the minutes of the meeting held on 26 <sup>th</sup> July 2019 be confirmed and signed as a correct record.
<b>TVCA 29/19</b>	<b>MATTERS ARISING</b>  None.
<b>TVCA 30/19</b>	<b>MAYOR'S UPDATE</b>  Cabinet considered the Mayor's Update report. In addition to the report as tabled the Mayor asked that Cabinet note the passing of Alan Chapman, Head Teacher of Catcote Academy, Hartlepool. On behalf of the Cabinet, the Mayor paid tribute to Mr Chapman, whose school was named SEND Champion of The Year at the recent National Careers Awards.  Further to the report as tabled, the Mayor updated members that the Business Case for a new Tees Crossing had now been submitted to the Department of Transport and suggested members encourage their networks to make representations supportive of the Business Case.  RESOLVED that the Mayor's Update be noted.
<b>TVCA 31/19</b>	<b>GOVERNANCE AND APPOINTMENTS</b>  The report set out appointments including the Chair and Vice Chair nominations for the Overview and Scrutiny Committee and Audit and Governance Committee.

	<p>It also requested that Cabinet noted the resignation of Alby Pattinson from the Tees Valley Local Enterprise Partnership and changes to Statutory Officers of the Combined Authority necessitated by the recent organisational restructure.</p> <p>RESOLVED that:</p> <p>The Combined Authority Cabinet agreed and noted the appointments as set out in the report.</p>
<p><b>TVCA 32/19</b></p>	<p><b>INVESTMENT PLAN - £30M BUSINESS GROWTH PROGRAMME</b></p> <p>Mike Russell, TVCA Business Finance Manager introduced a report requesting Cabinet approval for plans for the delivery of a programme of business support and funding to be implemented from January 2020. The plans included the establishment of a new Business Gateway service, providing local businesses with a single point of entry to the range of business support, funding and finance options available to them regardless of business size, sector or nature of need, and a £20m flexible fund providing capital grants and working capital loans to businesses.</p> <p>The Mayor stated that the aim of the plans was to allow more targeted interventions supporting local business growth, more specific to the needs of the Tees Valley than currently permitted.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. Cabinet approved the allocation of the £30m Business Growth Programme as detailed:</li> <li>ii. Cabinet approved that, in line with the Assurance Framework, decisions on the individual schemes within the programme and approval of their business cases would be delegated to the Combined Authority Chief Executive in consultation with the S73 Officer, the Monitoring Officer and Tees Valley Management Group, with performance reported through the quarterly Investment Plan performance report.</li> </ul>
<p><b>TVCA 33/19</b></p>	<p><b>INVESTMENT PLAN DELIVERY REPORT</b></p> <p>Julie Gilhespie, TVCA Chief Executive, introduced a report updating members on the delivery of the Combined Authority ten-year investment programme.</p> <p>Councillor Heather Scott welcomed the new format of the report.</p> <p>RESOLVED that:</p> <p>Cabinet noted the report</p>
<p><b>TVCA 34/19</b></p>	<p><b>NORTHERN SCHOOL OF ART, NEW MIDDLESBROUGH SITE/FACILITY</b></p> <p>Alison Fellows, TVCA Director of Commercial and Delivery, introduced a report asking Cabinet to consider a request from The Northern School of Art for £14.85m investment to enable the relocation of its existing Further Education facility from Acklam in Middlesbrough to a town centre location, supporting its ambition to become a specialist university.</p>



	<p>Mayor Andy Preston highlighted the uniqueness of the facility's offer and potential for increased access and improved transport links to be delivered by the project. The Mayor of the Tees Valley highlighted the positive potential impact on the regeneration of central Middlesbrough.</p> <p>Councillor Bob Cook requested that more information be provided relating to alternative proposals rejected during the options appraisal. The Mayor gave assurances that these would be supplied to members, with consideration given to greater information of this nature being supplied in papers relating to similar proposals in future.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. Cabinet agreed to approve the request for a £7.25m of non-repayable grant and up to a maximum of £7.25m repayable grant which has an initial repayment on sale of the existing site and further repayments if the agreed profit targets are met.</li> <li>ii. Cabinet authorised the Combined Authority Chief Executive to take all necessary steps to negotiate and complete appropriate funding agreements with the School on the basis set out in the report, taking account of any issues arising as a result of meeting the appraisal conditions</li> </ul> <p>At the completion of this item the Mayor proposed a motion excluding the press and public from the remainder of the meeting due to the confidential nature of items, by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972.</p>
<p><b>TVCA 35/19</b></p>	<p><b>DEMAND RESPONSIVE TRANSPORT</b></p> <p>Tom Bryant, TVCA Head of Transport and Infrastructure, introduced a report requesting Cabinet approval for the awarding of a contract for the delivery of a new demand responsive bus service designed to provide better access for some of the rural communities in Darlington, Hartlepool, Redcar &amp; Cleveland and Stockton-on-Tees.</p> <p>Councillors Cook and Lanigan made suggestions relating to fares and rural service provision, with the Mayor proposing that Cabinet approve the awarding of the contract and delegate responsibility for investigating member suggestions to the Chief Executive prior to delivery.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. Cabinet approved the awarding of the contract.</li> <li>ii. Cabinet delegated responsibility for final details relating to delivery of the scheme to the TVCA Chief Executive.</li> </ul>
<p><b>TVCA 36/19</b></p>	<p><b>TEESSIDE INTERNATIONAL AIRPORT</b></p> <p>Martin Waters, Goosepool Executive Director, introduced a report updating Cabinet on the implementation of the airport investment plan and presenting the annual airport Business Plan, as agreed by the Airport Board the previous day.</p> <p>RESOLVED that:</p>

	<p>Cabinet noted progress to date regarding implementation of the airport investment plan and approved the annual Business Plan.</p>
<p><b>TVCA 37/19</b></p>	<p><b>MIDDLESBROUGH DISTRICT ENERGY NETWORK UPDATE</b></p> <p>Alison Fellows, TVCA Director of Commercial and Delivery introduced a report updating Cabinet on the Middlesbrough District Energy Network Project.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. Cabinet noted the update.</li> <li>ii. Cabinet noted that a further report will be tabled in January 2020 recommending formal approval for the Project.</li> </ul>
<p><b>TVCA 38/19</b></p>	<p><b>TEES VALLEY RESIDUAL MUNICIPAL WASTE TREATMENT PROJECT</b></p> <p>Gary MacDonald, TVCA Director of Finance and Resources introduced a report providing Cabinet with details of an Outline Business Case developed to address the future treatment of municipal residual waste collected by the Tees Valley Local Authorities and thanked Denise McGuckin, Hartlepool Borough Council Director of Regeneration and Neighborhoods developing the Business Case.</p> <p>Councillors Lanigan, Moore, Scott and Cook welcomed the collaboration between the Tees Valley local authorities.</p> <p>RESOLVED that:</p> <p>Cabinet agreed that the Combined Authority should provide the Tees Valley Local Authorities a loan facility for project procurement, to be repaid over the length of the waste disposal contract.</p>
<p><b>TVCA 39/19</b></p>	<p><b>ANY OTHER BUSINESS</b></p> <p>Members held a discussion relating to Tees Valley Cultural Strategy.</p>
<p><b>TVCA 40/19</b></p>	<p><b>DATE OF NEXT MEETING</b></p> <p>Friday January 31<sup>st</sup> 2020</p>

**AGENDA ITEM 5****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY CABINET****DECEMBER 20<sup>th</sup> 2019****REPORT OF THE CHIEF EXECUTIVE****GOVERNANCE AND APPOINTMENTS****SUMMARY**

This report requests Cabinet ratification of membership of the Combined Authority Audit & Governance Committee and that committee's representative on the South Tees Development Corporation Audit & Risk Committee.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet agrees the appointments as set out in this report.

**DETAIL**

1. The Membership of the Audit & Governance Committee was reviewed in light of Constitutional changes to the calculation of the political balance of committee memberships. Following this review, new membership nominations from Redcar & Cleveland Borough Council were received following the authority's full Council Meeting on November 21<sup>st</sup> 2019. These nominations are set out below:
  - Cllr Sandra Smith (Member)
  - Cllr Peter Berry (Substitute member)
2. At its meeting on October 15<sup>th</sup> 2019 the Combined Authority Audit & Governance Committee was asked to nominate a representative to sit on the South Tees Development Corporation Audit & Risk Committee. The Committee took the view that this position should be fulfilled by the member representing Redcar & Cleveland Borough Council. The appointment was therefore delayed until a representative has been provided. Cllr Smith having indicated willingness to assume this role, her nomination was confirmed by Audit & Governance Committee members via correspondence.

**FINANCIAL IMPLICATIONS**

3. 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**

4. The report relates to the Constitution of the Combined Authority which sets out the appropriate statutory framework.

## **RISK ASSESSMENT**

5. 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**

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

## **EQUALITY & DIVERSITY**

7. As reported to Cabinet previously, there is a commitment from Cabinet to achieve a 50/50 gender balance and to increase overall diversity on the LEP by 2020.

## **LOCAL ENTERPRISE PARTNERSHIP**

8. The items in this report have been circulated to LEP members in advance of coming forward to Cabinet.

**Name of Contact Officer: John Hart**  
**Post Title: Governance & Administration Manager**  
**Telephone Number: 01642 524 413**  
**Email Address: john.hart@teesvalley-ca.gov.uk**

**AGENDA ITEM 6****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY CABINET****DECEMBER 20<sup>th</sup> 2019****REPORT OF THE DIRECTOR OF FINANCE AND RESOURCES****ADOPTION OF INVESTMENT PLAN, DRAFT BUDGET 2020-21 AND MEDIUM  
TERM FINANCIAL PLAN****SUMMARY**

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

Additionally, the Constitution requires that the Chief Executive and Director of Finance and Resources submit a draft budget to Cabinet on an annual basis for consideration and approval for the purposes of consultation. The Budget provides the financial framework within which the Combined Authority will operate in the forthcoming financial year (2020-2021) and over the medium-term.

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

- Proposed expenditure on the Mayors General Functions; and
- Proposed expenditure on Combined Authority Functions.

This report includes the proposals for adoption of the high-level financial allocation within the Investment Plan 2019-29 and provides the draft budget for 2020-21 for the purposes of consultation. The Investment Plan 2019-29 – One Year On document will be presented to Cabinet in January 2020.

Approval by the Cabinet to consult on the budget proposals shall not be taken to pre-determine their final approval, or the position of the Mayor or individual Cabinet members, with or without amendments, following consultation. Consultation shall take place on the draft Budget for such a period, and with such consultees as the Cabinet shall determine; and the consultees shall include the Local Enterprise Partnership, the Overview and Scrutiny Committee, representatives of the business community, higher and further education institutions, trade unions, and the Constituent Authorities.

**RECOMMENDATION**

- i. It is recommended the Combined Authority Cabinet agrees the high-level financial allocations for the Investment Plan 2019-29 and considers and approves the Draft Budget for 2020-21 for the purposes of consultation.

## **DETAIL**

This report provides details of the refreshed high-level financial allocations within the Investment Plan 2019-29 one year on from the agreement of the 10 year Investment Plan and provides the draft Budget to Cabinet for consideration and approval for the purposes of consultation. Subject to the agreement of Cabinet the draft Budget will be published for public consultation during the period December 20<sup>th</sup> 2019 to January 20<sup>th</sup> 2020. During this period the draft Budget will be subject to scrutiny through the Combined Authority Overview and Scrutiny Committee and will also be considered at the respective meetings of the Tees Valley Directors of Resources, Tees Valley Management Group and Local Authority Chief Executives.

The comments received regarding the draft Budget will be considered and, where applicable, reflected in a revised Budget proposal from the Mayor due to be presented at Cabinet on January 31<sup>st</sup> 2020.

## **BUDGET SUMMARY**

1. There are no proposed amendments to the Investment Plan and its value remains at £588.2m for the 10-year Period to 31 March 2029.
2. This report sets out the proposed Budget for 2020-21 and the medium term financial plan (MTFP) for the period to March 2024 (the Budget). The Budget presents all forecast funding and expenditure for the plan period.
3. There is no proposed expenditure relating to Mayors General Functions and no precepts are proposed in relation to this. All proposed expenditure is designated at relating to Combined Authority Functions.
4. For the MTFP period, the Authority will have a total of £683 million available funding resources. This comprises £451 million funding to be received in the period and £232 million devolved deal forward funding.
5. Committed expenditure for the period 2020-24, including indicative funding allocations identified within the Investment Plan, is budgeted at £683 million.
6. The forecast expenditure for 2019-20 is £195m representing 86% delivery against a budget of £227m. The remaining schemes continue to be funded through the delivery phase during 2020-21

## EXPENDITURE

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

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	50,384	18,101	25,080	29,863	32,545	100,727	<b>256,700</b>
Education, Employment & Skills	5,780	8,720	5,500	5,000	5,000	25,000	<b>55,000</b>
Business Growth	17,015	17,985	52,700	20,200	19,200	19,400	<b>146,500</b>
Culture & Tourism	2,900	9,100	11,000	15,000	15,000	7,000	<b>60,000</b>
Research, Development & Innovation	2,000	2,000	2,000	2,000	2,000	10,000	<b>20,000</b>
Place	10,000	10,000	10,000	10,000	10,000	0	<b>50,000</b>
<b>Investment Plan Total</b>	<b>88,079</b>	<b>65,906</b>	<b>106,280</b>	<b>82,063</b>	<b>83,745</b>	<b>162,127</b>	<b>588,200</b>
Adult Education	20,000	29,447	29,447	29,447	29,447	147,231	<b>285,019</b>
Pass-through budgets (Transport)	30,490	30,490	30,490	30,490	30,490	152,450	<b>304,900</b>
Other Approved Projects	51,840	44,264	13,904	3,380	340	650	<b>114,378</b>
Core Running Costs	4,813	5,413	4,813	4,813	4,813	25,265	<b>49,930</b>
Loan Principal Repayments	0	1,712	1,633	4,155	5,838	48,263	<b>61,601</b>
Loan Interest	0	13	1,541	3,591	4,698	28,008	<b>37,851</b>
<b>TOTAL EXPENDITURE</b>	<b>195,222</b>	<b>177,245</b>	<b>188,108</b>	<b>157,939</b>	<b>159,371</b>	<b>563,994</b>	<b>1,441,879</b>

8. There are no proposed changes in Investment Plan allocations requiring unanimous Cabinet approval. There are the following changes to other budget headings: -

• 2018/19 projects re-profiled into 2019/20+	£10.7m
• Adult Education Budget*	(£ 4.9m)
• Pass-through budgets (Transport)*	(£ 1.6m)
• New specific grants 2019/20 & 2020/21*	£ 3.7m
• Loan drawdown & Interest (10yr period)	£ 6.5m
• Waste Strategy*	£ 5.0m
<b>Total movement</b>	<b><u>£ 19.4m</u></b>

\* there has been the equivalent movement in funding for these items

9. As a result of these changes the total expenditure budget has moved by £19.4m from £1,422.5m to £1,441.9m.

## Transport

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Budget	47,900	19,600	26,600	36,300	23,800	102,500	<b>256,700</b>
Revised Budget	50,384	18,101	25,080	29,863	32,545	100,727	256,700
Movement	2,484	-1,499	-1,520	-6,437	8,745	-1,773	0

10. The consultation period for our draft Strategic Transport Plan ends on November 20<sup>th</sup> 2019. This is the first Strategic Transport Plan for the region and outlines £256.7million investment into transport projects with the aim of proving “a high-quality, clean, quick, affordable, reliable and safe transport network for people and freight to move within, to and from Tees Valley”. The January 2020 Cabinet will consider, and amend where applicable, the Strategic Transport Plan. The investment plan will also be reviewed, and amended, where applicable to account for consultation feedback with the financial implications contained in the Integrated Transport Plan. Business cases for individual projects will then be developed firming up the projected spend profile for the programme.
11. The Combined Authority approved the purchase of the Airport in January 2019 with funding allocations approved for the purchase, operating costs and capital programme. It was noted during due diligence that the airport did not have a short, medium or long term capital investment plan. A priority action was to prepare and agree a capital investment plan for the airport. A full review of the capital requirements for the Airport has taken place and the revised profile of capital expenditure has been approved which has resulted in the movements in annual expenditure set out above. There was no change in the proposed overall investment.
12. New Tees Crossing Transformational improvements to our road network are critical to help us achieve our vision to provide a high-quality, quick, affordable, reliable and safe transport network for people and freight to move within, to and from Tees Valley. A New Tees Crossing on the A19 – to be built in the vicinity of the existing A19 viaduct - is one of our main transport priorities for the region and is seen as essential to facilitate growth, improving journey times, improving access to strategic sites, unlocking development potential and supporting the economic growth of the region. An Outline Business Case informed by the consultation was submitted to the Department of Transport at the end of October.
13. The Combined Authority Cabinet has approved significant funding to develop strategic rail infrastructure proposals. A £45million allocation has been earmarked to help develop proposals for Middlesbrough and Darlington Stations from the £59million Transforming Cities Fund. The projects will see a major transformation of both stations and reconfiguration of rail track at Darlington to ensure it can accommodate new high speed services on the East Coast Main Line, while also unlocking capacity



on the local rail line. This will lead to faster, more frequent and better quality services across the Tees Valley, County Durham and North Yorkshire, and better freight connections from Teesport.

14. Cabinet has also agreed to award the contract for the delivery of a demand responsive bus service, designed to provide better access for some of the rural communities in Darlington, Hartlepool, Redcar & Cleveland and Stockton-on-Tees. The service will allow customers in areas currently not well served by public transport services to book bus journeys via a mobile app or telephone, supporting non-car owners in these areas to access essential services and employment. TVCA Communications & Marketing are developing a new brand for the service and working with the contractor to develop a marketing and communications strategy for the scheme which will be formally launched in January 2020.

### Education, Employment & Skills

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Budget	7,500	7,500	5,000	5,000	5,000	25,000	55,000
Revised Budget	5,780	8,720	5,500	5,000	5,000	25,000	55,000
Movement	-1,720	1,220	500	0	0	0	0

15. Over ten years a total of £55 million has been allocated to Education, Employment & Skills: £40 million for the continuation of the Employment & Skills Programme of activity from April 2021 onwards and £15 million to deliver skills capital priorities.
16. The Investment Plan allocated £15 million for skills capital split over the first 2 years of the plan. The Combined Authority has also worked collaboratively with the Northern School of Art and Middlesbrough Council on the relocation of the Northern School of Art's Further Education Campus Middlesbrough. This was approved by Cabinet in October 2019 which has resulted in the re-profiling of this expenditure in line with the forecasted spend on the project.
17. A review to determine future priorities for education, employment and skills is underway, looking at opportunities to maximise the impact for the Tees Valley from the £40 million investment programme from 2020/21 onwards.

### Business Growth

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Budget	38,700	19,200	29,200	19,200	19,200	21,000	146,500
Revised Budget	17,015	17,985	52,700	20,200	19,200	19,400	146,500
Movement	-21,685	-1,215	23,500	1,000	0	-1,600	0

18. Over ten years a total of £146.5 million has been allocated to Business Growth to unlock key sites for business and to support businesses.

#### Sites and premises projects

19. South Tees Development Corporation (STDC) completed the purchase of 1,420 acres of land which represents over 50% of developable land in the Development Corporation area. The purchase of remaining elements of the land was initially forecast to start within 2019/20; however due to issues relating to a CPO this has now been delayed which has been reflected in the re-profiling of spend above. Further allocations are provided for STDC site infrastructure projects.
20. Allocations have been provided for in respect of Riverside Northshore development and Revitalising Redcar. Both of these developments are currently undergoing detailed business case activity. The Boho "The Digital City" project (£26.5m Combined Authority funding) has been confirmed utilising existing Business Growth infrastructure budgets (£20m) and Middlesbrough Borough Council Indigenous Growth funding (£6.5m). The project is designed to create a digital campus, a 750-seat indoor amphitheatre beneath a glass atrium to include events such as lectures, cultural events and entertainment.

#### Business Support Programme

21. The Tees Valley Combined Authority Cabinet has agreed a £35million investment establishing a new support service for the region's businesses. The programme will provide local companies with a single point of contact for a range of support to help businesses start up and grow, including comprehensive advice on funding and finance options and assistance in establishing links with potential funding sources.
22. This programme will also include a £20million Tees Valley Business Fund, the largest investment fund of its kind in the region, awarding grants and loans to firms looking to invest, expand and create jobs. The programme will continue on from the current Business Compass project and there is a strong pipeline of companies.

#### Inward Investment

23. TVCA recently exhibited at Offshore Wind North East, one of the UK's largest offshore wind events, with a number of VIPs from the industry touring the Tees Valley as part of the event.
24. TVCA also exhibited at the national Advanced Engineering 2019 event at the NEC Birmingham. The event is one of the UK's largest manufacturing events with dedicated exhibitor zones for automotive, aerospace, composites, performance metals, composites, digital manufacturing and medical devices. The Business Investment team promoted the Tees Valley as a key manufacturing location to a largely UK audience.

## Culture & Tourism

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Budget	1,000	11,000	11,000	15,000	15,000	7,000	60,000
Revised Budget	2,900	9,100	11,000	15,000	15,000	7,000	60,000
Movement	1,900	-1,900	0	0	0	0	0

25. Over ten years a total of £60 million has been allocated to Culture & Tourism to help to shape the quality of the Tees Valley proposition and make it a place to invest, live and visit.
26. An allocation of £20 million has been earmarked for a programme of activity including destination marketing, festivals & events and programmes of activity. Delivery of the current culture programme funded from the 2017-21 Investment Plan is still ongoing with an end date of March 2020. The new programme of activity is currently being developed and will be reported through to Cabinet in the new year.
27. Allocations of £20m each have been provided for two main capital priorities: Darlington – Stockton Railway Heritage Quarter and Hartlepool Waterfront. Both projects are currently undergoing detailed business case development.

## Research, Development & Innovation

Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Budget	2,000	2,000	2,000	2,000	2,000	10,000	20,000
Revised Budget	2,000	2,000	2,000	2,000	2,000	10,000	20,000
Movement	0	0	0	0	0	0	0

28. £20 million is allocated within the Investment Plan for research, development and innovation activities. Work is currently underway to identify the programme of activities that the Combined Authority aims to focus its investment on. TVCA budgets are limited so we propose to invest them to leverage other national funding where possible and to leverage existing networks and augment existing capabilities. It is proposed to take a cluster approach and invest TVCA funds to stimulate innovation around the main sectors identified in the draft Local Industrial Strategy and Strategic Economic Plan, to put in place the infrastructure to encourage companies to carry out innovation in the region and in the capacity to support our companies to bid into national innovation funding initiatives. A detailed report on this will be brought to Cabinet in January 2020.





Core costs	4,813	4,813	4,813	4,813	4,813	24,065	<b>48,130</b>
Mayoral election	-	600	-	-	-	1,200	<b>1,800</b>
<b>Total</b>	<b>4,813</b>	<b>5,413</b>	<b>4,813</b>	<b>4,813</b>	<b>4,813</b>	<b>25,265</b>	<b>49,930</b>

36. The table below sets out the proposed core costs budget for 2020/21 and the previously agreed budget for 2019/20. A more detailed breakdown of running cost budgets are provided at **Appendix 3**.

Core costs	2019/20	2020/21
Salaries (incl Ni & Pension)	3,932,912	3,899,945
Other Staffing Costs	15,000	15,000
<b>Total Staff Costs</b>	<b>3,947,912</b>	<b>3,914,945</b>
Premises	336,000	335,000
General Running Costs	369,000	402,967
Marketing & Communications	160,000	160,000
<b>Non-Salary Expenditure</b>	<b>865,000</b>	<b>897,967</b>
<b>TOTAL EXPENDITURE</b>	<b>4,812,912</b>	<b>4,812,912</b>

## Loan Repayments

37. The 2019/20 budget approved the use of the Combined Authorities borrowing powers to deliver the Investment Plan. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy. The profile of drawdown has been amended to reflect when borrowing will be required and the relevant interest rates on the borrowing updated.

## FUNDING

38. The below table summarises the forecast funding across the medium term and the investment plan period.

Funding	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves	78,918	0	0	0	0	0	<b>78,918</b>
Local Growth Fund	9,416	14,217	0	0	0	0	<b>23,633</b>
Devolution	15,000	15,000	15,000	15,000	15,000	75,000	<b>150,000</b>
Enterprise Zones	2,900	5,380	5,560	5,980	6,000	30,000	<b>55,820</b>
Transforming Cities Fund	13,000	18,000	24,000	16,500	15,100	75,500	<b>162,100</b>

Loan Repayments & Investment returns	4,020	1,100	2,280	1,940	1,960	12,184	<b>23,484</b>
Government Grants	20,324	6,584	2,611	12,468	11,501	57,500	<b>110,988</b>
Adult Education Budget	20,000	29,447	29,447	29,447	29,447	147,231	<b>285,019</b>
Local Transport Plan	13,930	13,930	13,930	13,930	13,930	69,650	<b>139,300</b>
Concessionary Fares	16,560	16,560	16,560	16,560	16,560	82,800	<b>165,600</b>
Loans	2,212	57,027	78,720	46,114	49,873	14,129	<b>248,075</b>
<b>Total</b>	<b>196,280</b>	<b>177,245</b>	<b>188,108</b>	<b>157,939</b>	<b>159,371</b>	<b>563,994</b>	<b>1,442,937</b>

\* 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. Do we have an update on this i.e. what the impact has been of the shift to SEA this year?

### Local Growth Fund

39. In total the Combined Authority has been allocated £103m of capital funding through Local Growth Fund rounds and 2020/21 will be the final year of this funding stream.

### Devolution

40. 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.

### Enterprise Zones

41. The Combined Authority retains business rate funding from a number of designated enterprise zones. As the zones continue to attract more business the funding generated is forecast to increase.

42. The current projections for the investment plan period are based on rates that are currently being collected, together with known projects currently under construction. Business rates from future potential projects on the Enterprise Zones are not accounted for in the forecasts but will be kept under review.

### Transforming Cities Fund

43. The Transforming Cities Fund was announced by Government in the 2017 Budget and Tees Valley has been awarded a total of £75.5m funding to transform local public transport. The fund gives the Combined Authority freedom to invest on strategic transport priorities such as rail, bus rapid transit, cycling or other public and sustainable transport improvements.

44. The 10 year investment plan assumed that funding for transport activities would continue in some shape or form at current levels, this is kept under constant review based on dialogue with Central Government.

## **Loan Repayments & Investment Returns**

45. A number of Combined Authority investments are made on a recoverable and/or commercial basis, based on current agreements it is estimated that £7.28 million will be repaid during the medium term period and a further £7.05 million across the investment plan period.

## **Government Grants**

46. The Combined Authority receives a number of other grants from Central Government which can be either awarded for specific purposes following an application process or where is awarded with fully devolved discretion regarding expenditure.
47. Current estimates are based on secured grants and some assumptions regarding the continuation of current funding. We remain in constant discussions with Government to ensure we secure the maximum funding possible to achieve our priorities set out in the Strategic Economic Plan. This funding stream remains under constant review and will be updated to take account of the latest position.

## **Adult Education Budget**

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

## **Local Transport Plan**

49. 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**

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

## **RESERVES**

51. The Combined Authority holds two classifications of usable reserves these are non-ring-fenced funds which have been received but not yet applied and the General Balance Reserve. The Combined Authority manages overall resource requirements by reference to the MTFP and overall Investment Plan. At April 2019 there was a



balance of £78.9 million available funds held in reserve that could be utilised to fund the approved 2019-29 Investment Plan and full consumption of these reserves is anticipated in 2019-20 financial year as set out in the investment plan.

52. Good practice guidance for Local Authorities is that a proportion of net revenue expenditure should be held in the General Balance Reserve to manage risk and any unforeseen circumstances. The Combined Authority manages overall resource requirements by reference to the MTFP and overall Investment Plan.
53. As agreed in the 2019/20 Budget we consider that the appropriate way of calculating a general reserve level is to take the average of the risk-based revenue that we expect to receive over the period of the MTFP and hold a proportion of this in the General Reserve. This calculation has resulted in a requirement of £0.978m, however management has decided to not amend this from the current reserve of £1.058m.

## **DEVOLUTION DEAL FORWARD FUNDING**

54. 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. The original approval to access borrowing was approved as part of the previous investment plan and this report reaffirms the borrowing requirement.
55. Not only does this forward funding increase the scope to have a bigger economic and transformational impact sooner, it also makes financial sense as the release of the £450m over the 30 years is not index linked. Therefore, the spending power of £15m in 2046 will be far less than today. Based on the standard discount rate of 3% it is financially advantageous to forward fund as the prudential borrowing rates are below this level.
56. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy. The profile of drawdown has been amended to reflect when borrowing will be required and the latest PWLB interest rates on the borrowing updated. Within the MTFP period the borrowing requirement is £232 million as part of a wider Investment Plan borrowing requirement of £248 million to 2025, details of which can be found at **Appendix 4**. This is well within the Government agreed borrowing caps of £774m in 2020/21 and 2021/22. The 2020/21 Treasury Management Policy will set out the prudential indicators to support the proposed borrowing.

## **MEDIUM TERM FINANCIAL PLAN 2019-23**

57. Funding and expenditure for the plan period, including the proposed 2020/21 budget is summarised in the medium term financial plan as set out in **Appendix 5**. The medium term financial plan is also set out based on Investment Plan themes at **Appendix 6**.

## **FINANCIAL IMPLICATIONS**

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

## **LEGAL IMPLICATIONS**

59. 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**

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

## **CONSULTATION**

61. Formal consultation will be undertaken in the period 18 December 2019 and 16 January 2020. This is in addition to circulation of this report to Local Authority Directors of Finance, Tees Valley Management Group and Chief Executives.

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## Appendix 1

### Forecast expenditure on 2019-29 investment plan

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Integrated Transport Plan	5,000	15,000	20,000	26,000	18,500	97,600	182,100
Teesside Airport	45,384	3,101	5,080	3,863	14,045	3,127	74,600
<b>Total Transport</b>	<b>50,384</b>	<b>18,101</b>	<b>25,080</b>	<b>29,863</b>	<b>32,545</b>	<b>100,727</b>	<b>256,700</b>
Northern School of Art	5,780	8,720	0	0	0	0	14,500
Education, Employment & Skills Programme	0	0	5,500	5,000	5,000	25,000	40,500
<b>Total Education Employment and Skills</b>	<b>5,780</b>	<b>8,720</b>	<b>5,500</b>	<b>5,000</b>	<b>5,000</b>	<b>25,000</b>	<b>55,000</b>
Business Growth Programme	0	4,000	4,000	4,000	3,000	15,000	30,000
South Tees Development Corporation	14,015	1,985	33,700	1,200	1,200	4,400	56,500
Boho "The Digital City"	1,100	3,900	5,000	5,000	5,000	0	20,000
Revitalising Redcar	1,900	3,100	5,000	5,000	5,000	0	20,000
Riverside Northshore Development	0	5,000	5,000	5,000	5,000	0	20,000
<b>Total Business Growth</b>	<b>17,015</b>	<b>17,985</b>	<b>52,700</b>	<b>20,200</b>	<b>19,200</b>	<b>19,400</b>	<b>146,500</b>
Culture & Tourism Programme	1,000	1,000	1,000	5,000	5,000	7,000	20,000
Hartlepool Waterfront	0	5,000	5,000	5,000	5,000	0	20,000
Darlington & Stockton Railway Heritage	1,900	3,100	5,000	5,000	5,000	0	20,000
<b>Total Culture &amp; Tourism</b>	<b>2,900</b>	<b>9,100</b>	<b>11,000</b>	<b>15,000</b>	<b>15,000</b>	<b>7,000</b>	<b>60,000</b>
Research, Development & Innovation Programme	2,000	2,000	2,000	2,000	2,000	10,000	20,000
Place Programme	10,000	10,000	10,000	10,000	10,000	0	50,000
<b>Investment Plan Total</b>	<b>88,079</b>	<b>65,906</b>	<b>106,280</b>	<b>82,063</b>	<b>83,745</b>	<b>162,127</b>	<b>588,200</b>

## Appendix 2

### Forecast expenditure on approved other investments in the plan period

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A689 Wynyard Improvement	0	2,191	0	0	0	0	2,191
Access Fund	1,051	0	0	0	0	0	1,051
BEIS Business Compass	246	246	0	0	0	0	492
Billingham Bio-Pharmaceutical Campus	1,360	1,265	0	0	0	0	2,625
Brexit Preparation Fund	304	0	0	0	0	0	304
Broadband	443	0	0	0	0	0	443
Business Support Package	0	1,500	1,750	1,750	0	0	5,000
CPI Healthcare Futures Centre	0	3,750	6,000	0	0	0	9,750
Culture Programme	1,036	0	0	0	0	0	1,036
Culture: City games	340	0	340	245	340	650	1,915
Culture: Rugby League World Cup Bid	44	44	81	81	0	0	250
Darlington Sports Village	228	0	0	0	0	0	228
Darlington Station	198	0	0	0	0	0	198
Carbon Capture & Storage Development	93	0	0	0	0	0	93
Delivering Sector Action Plans Programme	0	700	1,070	0	0	0	1,770
District Heating Commercialisation Stage	500	0	0	0	0	0	500
EES Strategy: Apprentices	260	1,176	0	0	0	0	1,436
EES Strategy: Creating a TV Careers & Enterprise Initiative	1,427	1,789	0	0	0	0	3,216
EES Strategy: Routes To Work	2,279	2,715	1,216	0	0	0	6,210
EES Strategy: Supporting education innovation and collaboration	550	1,450	0	0	0	0	2,000
EES Strategy: TBC	0	4,204	0	0	0	0	4,204
EES Strategy: Workforce Planning Support	187	1,008	864	1,054	0	0	3,113
Energy Network (North East and Humber)	477	455	0	0	0	0	932
ERDF Business Compass	6,895	0	0	0	0	0	6,895
ESIF Technical Assistance	35	35	35	0	0	0	105
Faverdale (Phase 1)	0	50	0	0	0	0	50
Free Ports Study	19	0	0	0	0	0	19
Full Fibre Network	70	0	0	0	0	0	70
Great Places	726	0	0	0	0	0	726
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	394	261	0	0	0	0	655
Hartlepool Innovation Skills Quarter Phase 1b	804	0	0	0	0	0	804
Hartlepool Innovation Skills Quarter Phase 2	500	2,680	310	0	0	0	3,490
Hartlepool Western Growth Corridor (Elwick Bypass)	0	3,108	0	0	0	0	3,108
Ingenium Park - Phase 1	1,600	0	0	0	0	0	1,600

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Kirkleatham Estate Investment Project	265	150	0	0	0	0	415
Kirkleatham Walled Garden & Catering Academy	318	0	0	0	0	0	318
Transport Studies	62	0	0	0	0	0	62
Liberty Steel	2,702	0	0	0	0	0	2,702
Local Industrial Strategy	380	0	0	0	0	0	380
Low Carbon Action Plan Development	77	0	0	0	0	0	77
Mayoral Capacity Fund	0	1,000	0	0	0	0	1,000
Middlesbrough Rail Station	2,492	0	0	0	0	0	2,492
Museum of the Royal Navy	25	0	0	0	0	0	25
National Productivity Investment Fund	6,605	0	0	0	0	0	6,605
One Public Estate	197	58	0	0	0	0	255
Rail Gauge Enhancement Teesport	250	0	0	0	0	0	250
Rail Heritage Quarter Phase 2 Development Work	130	0	0	0	0	0	130
Redcar Railway Station Business Quarter	50	0	0	0	0	0	50
Research & Evaluation	200	200	238	0	0	0	638
Rural Energy Fund	250	500	500	250	0	0	1,500
Skills Analyst	75	0	0	0	0	0	75
South Tees District Heating	191	0	0	0	0	0	191
SSI Programmes	7,387	8,197	0	0	0	0	15,584
Sustainable Access To Employment Programme	3,634	0	0	0	0	0	3,634
Sustaining 16+ Facilities Capital	0	2,532	0	0	0	0	2,532
Tees Crossing Development	830	0	0	0	0	0	830
Teesside Advanced Manufacturing Park - Remediation and Development	430	0	0	0	0	0	430
Teesside University National Horizons Centre	707	0	0	0	0	0	707
TVCA Hydrogen Transport Deployment Bid	43	0	0	0	0	0	43
TWI Joint Hydrogen Business Development Manager	40	0	0	0	0	0	40
Waste Strategy	567	3,000	1,500	0	0	0	5,067
YEI Extension	1,867	0	0	0	0	0	1,867
<b>TOTAL</b>	<b>51,840</b>	<b>44,264</b>	<b>13,904</b>	<b>3,380</b>	<b>340</b>	<b>650</b>	<b>114,378</b>

## Appendix 3

### Core Running cost budgets 2019/20

Budget Heading	Budget 2019/20	Budget 2020/21
<b>Premises</b>		
Electricity	33,000	33,000
Rates	87,000	82,000
Rents and Leases	196,000	200,000
Repairs and Maintenance Condition	8,000	8,000
Cleaning and Domestic Contracts	12,000	12,000
	<b>336,000</b>	<b>335,000</b>
<b>Transport</b>		
Transport Fares - Payroll	12,000	12,000
Transport Fares - Non Payroll	60,000	60,000
	<b>72,000</b>	<b>72,000</b>
<b>General Running Costs</b>		
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
	<b>167,000</b>	<b>167,000</b>
<b>Support Costs</b>		
Financial Support (including Treasury Management, VAT advice)	20,000	20,000
Internal Audit	2,000	16,450
Risk Management & Insurance	2,000	-
ICT	33,000	49,817
Printing	7,000	12,000
HR	12,000	12,000
Voice & Data Network	29,000	29,000
Monitoring Officer / Legal Support	24,700	24,700
	<b>129,700</b>	<b>163,967</b>
Marketing & Communications	<b>160,000</b>	<b>160,000</b>
<b>Total Running Costs Budget</b>	<b>864,700</b>	<b>897,967</b>

## Appendix 4

### Investment Plan Borrowing

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	2,212	57,027	78,720	46,114	49,873	14,129	248,075
		<b>MTFP Period Total</b>			<b>231,734</b>		

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan Principal Repayments	0	1,712	1,633	4,155	5,838	48,263	61,601
Loan Interest	0	13	1,541	3,591	4,698	28,008	37,851
		<b>MTFP Period Total</b>			<b>23,181</b>		

## Appendix 5

### Medium Term Financial Plan 2019-23

MEDIUM TERM FINANCIAL PLAN	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	120,218	109,388	111,825	109,498	<b>450,929</b>
Borrowing	57,027	78,720	46,114	49,873	<b>231,734</b>
<b>TOTAL FUNDING</b>	<b>177,245</b>	<b>188,108</b>	<b>157,939</b>	<b>159,371</b>	<b>682,663</b>
10 Year Investment Plan	65,906	106,280	82,063	83,745	<b>337,994</b>
Other Approved Projects	44,264	13,904	3,380	340	<b>61,888</b>
Adult Education Budget	29,447	29,447	29,447	29,447	<b>117,788</b>
Transport & Infrastructure	30,490	30,490	30,490	30,490	<b>121,960</b>
Core Running Costs	5,413	4,813	4,813	4,813	<b>19,852</b>
Cost of Borrowing	1,725	3,174	7,746	10,536	<b>23,181</b>
<b>TOTAL EXPENDITURE</b>	<b>177,245</b>	<b>188,108</b>	<b>157,939</b>	<b>159,371</b>	<b>682,663</b>
<b>TRANSFER TO / FROM RESERVES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Reserves Opening Balance	1,058	1,058	1,058	1,058	
Transfer To / From Reserves	0	0	0	0	
<b>RESERVES CLOSING BALANCE</b>	<b>1,058</b>	<b>1,058</b>	<b>1,058</b>	<b>1,058</b>	



## Appendix 6

### Medium Term Financial Plan 2020-24 by Themes

EXPENDITURE BY THEME HEADINGS	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Transport	37,330	39,011	43,793	46,475	166,609
Education, Employment & Skills	55,981	37,336	35,501	34,447	163,265
Business Growth	30,637	55,555	21,950	19,200	127,342
Culture & Tourism	9,144	11,421	15,326	15,340	51,231
Research, Development & Innovation	9,705	10,000	2,250	2,000	23,955
Place	10,000	10,000	10,000	10,000	40,000
Development Pot	400	238	0	0	638
<b>THEME EXPENDITURE</b>	<b>153,197</b>	<b>163,561</b>	<b>128,820</b>	<b>127,462</b>	<b>573,040</b>
SSI Schemes Not In Investment Plan	350	0	0	0	350
Concessionary Fares	16,560	16,560	16,560	16,560	66,240
Core Running Costs	5,413	4,813	4,813	4,813	19,852
Cost of Borrowing	1,725	3,174	7,746	10,536	23,181
<b>NON THEME SPECIFIC EXPENDITURE</b>	<b>24,048</b>	<b>24,547</b>	<b>29,119</b>	<b>31,909</b>	<b>109,623</b>
<b>TOTAL EXPENDITURE</b>	<b>177,245</b>	<b>188,108</b>	<b>157,939</b>	<b>159,371</b>	<b>682,663</b>

**This report is not for publication by virtue of paragraphs 3 of schedule 12A of the  
Local Government Act 1972**

**AGENDA ITEM 7****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY  
CABINET****DECEMBER 20<sup>th</sup> 2019****REPORT OF THE  
HEAD OF TRANSPORT****PORTFOLIO: TRANSPORT****DEMAND RESPONSIVE TRANSPORT FARE STRUCTURE****SUMMARY**

At the meeting on the October 25<sup>th</sup> 2019 Cabinet approved the award of a three year contract to Stagecoach North East to deliver a demand responsive transport service to provide better access for some of the rural communities in Darlington, Stockton-on-Tees, Hartlepool, and Redcar & Cleveland. Cabinet also requested that further consideration be given to the fare structure, as under the proposed structure some journeys were considered to be too expensive.

Officers have now undertaken further work to review the fare structure and a revised proposal is set out in this report along with the financial implications.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approves the revised fare structure proposal set out in paragraphs 4 – 6 noting the increased contract price.

**DETAIL****Original fare structure**

1. The Combined Authority is responsible for setting the fare structure and the initial contract price submitted by Stagecoach North East factored in the original fare structure detailed in the table below.

<b>Original fare structure</b>		
Single fare cost		
Band	Distance	Cost

1	Under 2 miles	£1
2	2-4 miles	£2
3	4-6 miles	£3
4	6-8 miles	£4
5	Over 8	£5

2. The original fare structure also included the following concessions:
  - England National Concessionary Travel Scheme (ENCTS) pass holders will travel for free after 9:30am;
  - Children under 5 will travel for free all of the time; and
  - 5 – 19 year olds will travel for half fare all of the time.
3. The Combined Authority retains the right to make changes to the fare structure, but the contract price needs to be adjusted accordingly and agreed with Stagecoach North East prior to any change coming into effect.

### Revised fare structure

4. The revised fare structure is detailed in the table below. This structure offers single fares and day return fares if the return journey is booked for the same day. The return fares reflect a 25% reduction on the cost of two single fares.

Revised fare structure			
Band	Distance	Single fare	Day return fare
1	Under 2 miles	£1	£1.50
2	2-5miles	£2	£3.00
3	5-10 miles	£3	£4.50
4	Over 10 miles	£4	£6.00

5. The revised fare structure reduces the number of bands from five to four and increases the distance range within some bands.
6. The revised fare structure still includes the following concessions:
  - ENCTS pass holders will travel for free after 9:30am;
  - Children under 5 will travel for free all of the time; and
  - 5 – 19 year olds will travel for half fare all of the time.
7. It should be noted that demand responsive bus services are not defined as 'eligible services' under the ENCTS, as services on which the majority of seats can be reserved in advance of travel are excluded. Therefore the Combined Authority is not obliged to accept ENCTS pass holders free of charge, but is choosing to do so on a discretionary basis.
8. For context, the national bus concession in England is available after 9:30 am Monday to Friday and any time on a Saturday, Sunday or bank holiday. There is also currently a local discretion in parts of Tees Valley whereby ENCTS pass holders can pay a fixed fare of 30p for any journey in Stockton, Middlesbrough, Hartlepool and Redcar & Cleveland (not Darlington) starting before 9:30am Monday to Friday.

9. ENCTS pass holders will be able to travel for free after 9:30am Monday to Saturday on the demand responsive transport service. They will be subject to the normal fare structure should they choose to travel before 9:30 am. One of the key reasons for not offering free travel before 9:30 am is that the Combined Authority wants to ensure that there is capacity in the early morning for commuters to use the service.

### Comparison of the original and revised fare structures

10. For the purpose of comparison, the table below shows the impact of the revised fare structure on some sample return journeys.

Journey	Return with original fare structure	Return with revised fare structure
Easington to Redcar Central Station (12.3m)	£10	£6
Brafferton to Teesside International Airport (9.8m)	£10	£4.50
Loftus to Guisborough (8.6m)	£10	£4.50
Stillington to Stockton High Street (6.7m)	£8	£4.50
Skelton to Redcar Central (5.7m)	£6	£4.50
Elwick to Hartlepool Transport Interchange (4.2m)	£6	£3
Kirklevington to Yarm Station (1.7m)	£2	£1.50

11. It can be seen that the revised fare structure reduces all fares, but particularly longer distance fares.

### FINANCIAL IMPLICATIONS

12. Stagecoach North East submitted their contract price based on the original fare structure and has subsequently submitted a new contract price based on the revised fare structure. The table below shows the contract price based on the original and revised fare structure.

Stagecoach North East fixed subsidy requirements		
	Original fare structure	Revised fare structure
Year 1	£945,286 (includes set up cost for "app" booking system)	£1,094,462 (includes set up cost for "app" booking system)
Year 2	£849,792	£1,002,618
Year 3	£871,864	£1,028,441
<b>Total</b>	<b>£2,666,941</b>	<b>£3,125,521</b>

13. The revised fare structure increases the contract price by £458,580 over the three year contract period. This is a consequence of both a reduction in projected fare income and an increase in operational costs, predominantly mileage, in light of the anticipated increase in passengers.

14. It has been agreed with Stagecoach North East that should paid customer journeys be 5% in excess of the agreed baseline figure for any year of the contract, then the resultant revenue surplus over the 5% will be shared on an equitable 50/50 dividend basis.
15. The project is to be funded from the Integrated Transport Programme revenue allocation.

## **LEGAL IMPLICATIONS**

16. Stagecoach North East has agreed to the new contract price and this will be reflected in the contract documents to be put in place between the parties. There are no other legal implications relating to this report.

## **RISK ASSESSMENT**

17. Approving a revised fare structure is categorised as low risk at present. It should encourage take-up and therefore contribute to increased passenger numbers on the service.

## **CONSULTATION & COMMUNICATION**

18. There has been discussion at the Transport Advisory Group, Management Group, and the Chief Executives Group.

## **EQUALITY & DIVERSITY**

19. The revised fare structure reduces the fares customers will pay and therefore has a positive impact in terms of improving accessibility for residents in rural areas that are not well served by existing bus services.

## **LOCAL ENTERPRISE PARTNERSHIP**

20. This item has been considered at the LEP Board in advance of it coming forward to Cabinet.

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**AGENDA ITEM 8****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY CABINET****DECEMBER 20th 2019****REPORT OF DIRECTOR OF FINANCE AND RESOURCES****TEESSIDE INTERNATIONAL AIRPORT SOUTHSIDE BUSINESS PARK****SUMMARY**

As reported to Cabinet on 25 October 2019 the airport acquisition, which included 817 acres of land, presents significant opportunities for property development, inward investment and jobs growth. The 'Southside land', comprising 270 acres, is by far the largest area for potential development. Previous master-planning for the land identified the opportunity to develop it as a major business park, providing inward investment opportunities for both aviation and non-aviation related uses. In total the business park has the potential to provide 3.4 million square foot of commercial space.

This report sets out to Cabinet proposals for the Southside to unlock the land for development. In summary, the proposal is to enable the upfront infrastructure to be constructed and enter into a joint venture partnership with the private sector to bring forward the business park development. The upfront infrastructure requirement has been costed at £23.6m to provide road access, utilities and flood mitigation works. This will unlock the site for the development of 3.4 million square foot of commercial space, with over £200m inward investment opportunity, a long-term commercial return and 4,400 jobs. To deliver the infrastructure and business park development it is proposed that:

- the Combined Authority lends Teesside International Airport (the landowner) £23.6m on a commercial basis, to be repaid throughout the period of development;
- To deliver construction of the infrastructure and development of the business park Teesside International Airport (TIA) enters into a joint venture partnership with the private sector. Following a process of selection TIA plans to enter into a joint venture agreement with prominent local developers Theakston Land and Wynyard Business Park who will form a development delivery company;
- On a risk share basis, the joint venture will enable TIA to access private sector capacity and expertise to successfully deliver the business park and ensure a commercially positive investment.

**RECOMMENDATION**

It is recommended that the Combined Authority Cabinet:

1. Approves a commercial loan to TIA of £23.6m to deliver the infrastructure required to unlock the business park development.
2. Endorses the plans of TIA to enter into a joint venture agreement with the private sector to deliver the business park development, as set out below.

**DETAIL****Background**

On 24 January 2019 Cabinet approved investment proposals for the acquisition and development of TIA. The proposal was supported by the Full Business Case: “Securing the Future of Our Airport”. The business case included reference to the airport’s land development opportunities, noting that the Southside presented the most significant opportunity and that maximising the wider property assets was key to improving the financial viability of the airport. Since acquisition on 15 February 2019, significant work has been undertaken to develop plans for the Southside development to unlock the opportunities and secure long-term financial returns to support the future viability of the airport.

### **Overview of wider development opportunities**

The airport acquisition included 817 acres of land of which 350 acres were identified as presenting significant opportunities for property development, inward investment and jobs growth. The remaining landholdings relate to airport operations (for example the runway, terminal building and passenger carpark) and a number of ‘existing use’ commercial hangars and buildings which are tenanted.

The development opportunities are in two distinct locations, the Northside and the Southside, with approximately 80 acres and 270 acres respectively of developable land available.

Previous plans for the Northside included extensive housing development, plans which are not being taken forward. In setting plans for the Northside it has been concluded that any development needs to align with existing uses, airport expansion plans and significant land holdings that are in private ownership. The Northside is the key passenger gateway and requires a very different approach. In addition, we need to plan Northside based on future plans for the rail station. Work is being undertaken on the Northside development opportunities, but this will be to a very different brief. It is planned that during 2020 plans will be developed for the whole of Northside, addressing the complexity of current uses and seeking to ensure alignment with the airport growth plans and passenger experience.

The Southside is a very different opportunity, which has significant development as a business park that will not constrain the airports growth. In fact, as with many other regional airports, the development of an adjacent business park provides significant complementary opportunities for overall long term viability and success of the airport, with rental revenue streams underpinning the long term financial viability of airport operations.

### **Masterplan vision for Southside**

The vision for the Southside is to develop a business park that maximises the development opportunities of the site’s location. Running parallel to the runway, the site is a unique asset in that it can provide direct airside access for businesses in the aviation and airport related industries. The masterplan vision is to maximise these opportunities to attract inward investment in the aviation sector (See **Appendix 1**). This builds on existing aviation businesses based at the airport, the most significant being Cobham, who provide military aircraft training to air forces across the globe, and Serco who provide international aviation fire training and are a leading training provider worldwide. As the Southside land extends to 270 acres and has the potential for 3.4 million square feet of employment space, it is expected that in ensuring overall financial viability general employment opportunities will also be developed. Overall, the plan is to provide a mix of aviation related and general employment development, which aligns to current planning status. The masterplan vision is that the general employment element will focus on B8 storage and distribution uses. In summary, the development plan is to provide:

<b>Planning use</b>	<b>Floorspace (sq ft)</b>
B1 Business (Offices)	36,447
B1 (Supporting Other Business)	75,175
B2 General (Industrial)	38,750
B8 Storage & Distribution	1,751,643
B8 Hangers (Warehouse) / B2 (Industrial)	1,453,128
<b>Total</b>	<b>3,355,143</b>

Note: the B1 commercial space is to support the significant B8 uses. The business park vision is aviation related industry and storage and distribution: the business park will not be an office development.

### **Infrastructure to unlock the site for development**

Whilst offering significant development opportunities, the Southside currently has no infrastructure in place. Extensive technical work has been undertaken by consultants AECOM to identify and cost the infrastructure requirements to unlock the site for development. In summary, the infrastructure requirements comprise road access to the A67, utilities including power supply, and flood mitigation work. The requirements have been costed by consultants Gleeds at £23.6m (See report at **Appendix 2**).

### **Development appraisal**

Significant due diligence has been undertaken in preparing and testing the required development appraisal. In recent years the Southside has been subject to extensive master planning, consultation, design and pre-development appraisal, most recently with the publication in 2014 of 'Durham Tees Valley Airport Master Plan to 2020 and Beyond'. As part of the due diligence for the acquisition of the airport extensive independent advice was sought on the viability of the Southside development plans. This included a full development appraisal by independent property professionals that reviewed the costs of bringing forward the plans, the returns that could be secured and deliverability within market conditions. The due diligence concluded that the 3.4 million square feet of employment space as envisaged in the previous masterplan was a commercially viable proposition that could indeed secure long-term financial returns for the airport. The development appraisal and financial returns forecast were subject to a further level of due diligence by independent financial advisers in reviewing the commercial viability of the airport acquisition under MEOP (Market Operator Economy principle). MEOP is a stringent test to ensure compliance with State Aid and assess whether or not a rational private sector investor would make an investment. The review of the Southside plans concluded that the plans were commercially sound and adhered to the MEOP test.

Since acquisition in February this year further independent work has been undertaken to ensure the robustness of the development appraisal, and hence investment in the Southside. In addition to an up to date review of the infrastructure costings by AECOM, an open book review of the whole development appraisal by our preferred joint venture partner was undertaken. The joint venture partner, with extensive track record and experience of developments of similar size and scale, has endorsed and fully supports the plans and development appraisal. Alongside this, independent property advice has been sought throughout the process to ensure key risks and sensitivities were being considered and that the final plans and development appraisal were robust and deliverable. However, due to the scale of investment the plans have been subject to further independent due diligence by leading property professionals. The review has provided further assurance regarding the soundness and deliverability of the plans, acknowledging the current market and aspirational



nature of the development. As plans are progressed throughout the pre-development and indeed during development continued due diligence and independent advice will be sought as an integral part of the programme.

In summary, the development appraisal (see **Appendix 3**) demonstrates the commercial viability of the scheme. Key aspects of the development appraisal are:

- Total development costs incurred over the 17 years of the business park construction are £200m;
- Assuming borrowing costs at 3%, and lending over 25 years from drawdown, total finance repayments for infrastructure and development are £275m over the 41 years of debt financing;
- Total net income after operating costs, over the financing period, is £619m (EBITDA);
- Positive cash flow is achieved after development financing from year 3 onwards, with £378m return to the joint venture over the total financing period;
- The joint venture shares this return on a 50/50 basis before infrastructure costs;
- TIA will achieve positive returns after infrastructure repayments from year 11 onwards, with £155m return to TIA over the financing period;
- The Combined Authority loans of £23.6m are fully repaid by the end of year 27.

TIA will further benefit in achieving the masterplan vision to secure aviation related businesses as this will provide aero and non-aero revenue opportunities over and above property interests. For example, the airport generates significant revenues from existing aviation related businesses through landing fees, handling charges, fuel sales, etc.

### Delivery options

Critical to the successful delivery of the business park will be having access to the right skills, capacity and experience. In reviewing the mechanisms for delivery four options were considered:

1. Direct development by TIA/the Combined Authority;
2. Traditional development partner model;
3. Joint Venture with private sector developer; and
4. Disposal of land to developer – in one phase or via separate phases.

In reviewing the options, it was concluded that entering into a long-term joint venture with a private sector developer was the preferred route:

Option	Assessment	Conclusion
<b>Direct development</b>	<p>Pros: Retain 100% of financial returns</p> <p>Cons: Take 100% of the financial risk Difficulty in securing skills, capacity and experience required, leading to risk of non-delivery</p>	<b>Ranked third</b> Potentially high financial returns but high financial and delivery risk

<b>Traditional development partner model</b>	<b>Pros:</b> Secure skills, capacity and experience required Reduces delivery risk and therefore to an extent financial risk  <b>Cons:</b> Short term private sector financial interest Retains long term public sector financial risk	<b>Ranked second</b> Short term private sector interest with no longer term risk share
<b>Long-term Joint Venture with private sector developer</b>	<b>Pros:</b> Secure skills, capacity and experience required Share financial risk  <b>Cons:</b> Share financial returns	<b>Preferred option</b> Shared financial risk, low delivery risk, provides financial return
<b>Disposal of land</b>	<b>Pros:</b> Simple exit strategy  <b>Cons:</b> Significant opportunity lost to create uplift value and financial returns Risk of buyer land-banking with no or little subsequent development	<b>Ranked fourth</b> Low risk but very low financial return

### Securing a joint venture partner

Prior to securing a development partner legal advice was sought to clarify any procurement requirements. Initial legal opinion was that procurement regulations do not apply to the selection of a developer partner by TIA for this purpose. With the shape of the deal currently being firmed up our legal adviser is now preparing formal procurement advice. However, notwithstanding this advice a robust process has been conducted to secure a local partner with substantial skills and experience, offering the potential for speedy delivery in accordance with TIA's/the Combined Authority's vision for the site, under a commercial partnership deal that will secure long term value for money.

Since acquisition of the airport in February 2019 there has been significant interest from investors and developers in the land opportunities on offer. In the months following the acquisition discussions were held with several companies to explore potential development and partnering opportunities. Specific to the Southside, interest was most prominent from two developers with whom further discussions took place regarding the potential delivery structure and commercial deal offered. Both clearly had the experience, skills and capacity to bring forward the development of the Southside development. However, following a presentation process with both prospective partners, the proposition from prominent local developers Theakston Land and Wynyard Business Park stood out in terms of a shared vision for the investment. Commercially it offered the significant risk share and long-term investment view that TIA sought, allied to the potential for bringing the development forward more quickly. It was agreed to enter into more detailed dialogue with the development partners to agree the commercial and structural arrangements for delivery.

## The partnership agreement

The exact details of the agreement are still being drafted and in particular, tax advice is being worked through to ensure that the structure works in the most tax efficient way for TIA but the key terms that will form the basis of the agreement are that:

1. The Combined Authority will fund the £23.6m infrastructure requirements via a commercial loan to TIA;
2. TIA will let a contract for the delivery of the infrastructure works, via a competitive procurement which will include requirements for local labour;
3. The planning and construction of the infrastructure under that works contract will be managed by Devco (a joint venture company established between Theakston Land and Wynyard Business Park) at its risk, on an open book basis with oversight and sign-off required from the Combined Authority at key stages;
4. Devco will forego any management fees on the procurement and infrastructure delivery as part of its investment in the joint venture;
5. TIA will establish Newco for the delivery of the business park as a 100% TIA owned subsidiary; Devco will either (a) take a 50% shareholding in Newco on the successful delivery of the infrastructure works in accordance with contractual requirements, or (b) take the 50% shareholding earlier in the process but subject to the right of TIA to take shares back if the infrastructure works are not completed in accordance with the contractual requirements;
6. At an agreed point under the contract TIA will grant a 125-year lease to Newco, to enable the business park to be developed;
7. Devco will manage the delivery of the business park development on behalf of Newco on a non-fee basis as a further element of their investment in the business park development;
8. Profits on the development will be paid by Newco through dividends on a 50/50 basis to TIA and Devco;
9. Devco will manage Newco development activity on a day to day basis in accordance with the terms to be set out in the joint venture documentation, which will include matters reserved to be agreed by TIA/the Combined Authority under the Newco shareholders' agreement; and
10. Development finance for each plot will be raised by Newco on a site by site basis depending on the requirements of the relevant prospective occupier (who may wish to finance construction directly).

## Summary business case

<b>Strategic Case</b>	<p>In January 2019 the Combined Authority took the decision to acquire Teesside International Airport. The stated ambition was 'to secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity'. Additionally, the business case for the investment emphasised the opportunities it presented for property development to support the Combined Authority's Strategic Economic Plan for economic growth, inward investment and jobs.</p> <p>The Southside proposal foreshadowed by that business case provides a significant opportunity to contribute to these strategic aims, both in terms of assisting with the future financial viability of the airport and supporting inward investment, economic growth and jobs. The uniqueness of the</p>
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	<p>Southside as running parallel to the whole of the runway provides major opportunities for specific aviation-related inward investment. Additionally, the scale of the site provides a well-placed location for more general business investment.</p>
<b>Economic Case</b>	<p>In terms of direct economic impact, the development will provide over £200m of investment during construction with 4,200 jobs over the life of the construction. The 3.3m square feet of employment space will support jobs growth of 4,400 and £211m GVA.</p> <p>Indirectly, the development returns will help support the future financial viability of the airport, which as a key economic asset provides significant economic benefits across the Tees Valley economy.</p>
<b>Commercial Case</b>	<p>An equal joint venture partnership between the airport and private sector developers provides the desired level of risk share. Whilst a direct development model provides the opportunity for greater returns it also requires the public sector to take all the risk. Conversely, selling the land on the open market has a lower level of financial risk but also little opportunity for return. It was therefore considered that bringing forward the opportunity under a partnership arrangement with the private sector is the best option.</p> <p>The partnership proposal brings the right mix of skills, capacity and experience for a successful development. In exchange for TIA providing the land and infrastructure the development partners are foregoing significant shorter term fees for providing their skills, capacity and expertise in exchange for longer term returns which will depend on the success of their efforts. The market value of the land and infrastructure being put into the joint venture by TIA is £14.6m. Through foregoing the management fees and short term developer profits, the value of the equity put in the development partners equates to £7.72m, which is the basis of the 50/50 partnership.</p>
<b>Financial Case</b>	<p>The Combined Authority will provide a loan to TIA of £23.6m to enable the infrastructure works to be delivered. Full repayment of the loan and any additional interest incurred will be met by TIA through development dividends as the business park is built out. The loan will be on a 25-year term on a commercial basis with an appropriate state aid compliant interest rate applied. Loan repayments will equate to £1.355m per annum.</p> <p>However, as loan repayments will be met from development proceeds it is forecast that repayments in the first 6 years will be £3.2m against the actual payment requirement of £6.8m. Therefore, it is proposed that the Combined Authority meet this shortfall on a cashflow basis, equating to a £3.6m total over the first 6 years. Following year 6 TIA will be able to not only pay the remainder of the loan repayments in full but also repay the £3.6m cashflow provided by the Combined Authority (which will be fully</p>

	<p>paid by the end of year 10). See <b>Appendix 3</b> for the annual cashflow implications for TVCA.</p> <p>The Combined Authority will provide the loan through prudential borrowing with the Public Works Loan Board, which as a commercial investment will not impact on the Investment Plan.</p>
<b>Management Case</b>	<p>Robust governance arrangements will be established to manage the successful planning and delivery of the investment. Devco will manage the activities of Newco in its development management role. The Combined Authority/TIA will maintain control of key decisions through oversight of the procurement and the development under the provisions of the development agreement and the shareholders agreement. This will include conditions for step-in rights and sign-off on key financial and contractual decisions, including tenant occupancy.</p>

## **FINANCIAL IMPLICATIONS**

The Combined Authority will provide a loan facility of up to £23.6m for this project. The loan facility will be financed through Combined Authority prudential borrowing and therefore should not impact on the 10-year Investment Plan. As outlined in the Business Case the loan will be fully repayable by TIA as the business park is developed and dividends received. There will however be a short term cashflow implication for the Combined Authority in that it will need to cover part of the repayment costs during the early period of development.

It is forecast that TIA will make repayments in the first 6 years of £3.2m against the actual payment requirement of £6.8m. Therefore, it is proposed that the Combined Authority meet this shortfall on a cashflow basis, equating to a £3.6m total over the first 6 years. Following year 6 TIA will be able to not only pay the remainder of the loan repayments in full but also repay the £3.6m cashflow provided by the Combined Authority (which will be fully paid by the end of year 10).

## **LEGAL IMPLICATIONS**

The loan will be made on appropriate TVCA terms and conditions which will require the repayment of the loan in full to repay TVCA's prudential borrowing in full over a 25-year term from the date that the development reaches positive cashflow. External legal advice is being obtained from local legal firm Endeavour, who will advise on the terms of the arrangements, including on procurement and state aid.

## **RISK ASSESSMENT**

The development appraisal demonstrates that the risk of the loan not being repaid is relatively low for a development of this scale. However, this is clearly subject to the usual risks associated with property development.

Sensitivity analysis on the key assumptions provides the following:

Scenario	CA Cashflow Requirement	Period of Drawdown	TIA Cashflow Repayment Yrs	Total Loan Repayment Yrs	TIA Net Return £m
Business Plan (Base Case)	£3.5m	6yrs	5yrs	25yrs	£155m
If actual costs are 10% higher than planned	£4.8m	6yrs	7yrs	25yrs	£137m
If actual revenues are 10% lower than planned	£4.2m	7yrs	6yrs	25yrs	£124m
If actual occupancy is 10% lower than planned	£4.3m	7yrs	6yrs	25yrs	£122m
If finance costs are 1% higher than planned	£4.9m	7yrs	6yrs	25yrs	£137m
If all of the above	£8.1m	13yrs	15yrs	25yrs	£67m

However, to mitigate the risk the Combined Authority will require a first charge on the land, which once the infrastructure is delivered will have an open market value of £14.6m, based on independent valuation of the uplifted land value at £60,000 per acre.

## CONSULTATION AND COMMUNICATION

The development will be subject to statutory planning requirements, including on consultation and communication and TIA and Newco will work with both Darlington and Stockton Borough Councils through these processes.

## NEXT STEPS

If approval is given for the infrastructure loan Durham Tees Valley Airport Limited will consider approval to draw down the loan at its January 2020 Board meeting. Subject to approval of the loan and development plans DTVL will enter into the proposed joint venture partnership and commence with the infrastructure.

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**AECOM**

**Teesside  
International  
Airport**

TEESSIDE INTERNATIONAL AIRPORT  
SOUTHSIDE MASTERPLAN

60609356/MP/001  
03.09.2019

# **Teesside International Airport Southside Masterplan (A67)**

Approximate Order of Cost Estimate



# Document control

<b>Project name</b>	Southside Masterplan A67	<b>Project number</b>	MNCM0298
<b>Date of Issue</b>	3rd September 2019	<b>Version number</b>	01
<b>Reason for issue</b>	TVCA Request		

<b>Document author</b>	Alex Halliday	<b>Grade</b>	Director
<b>Signature</b>			

<b>Contributors</b>	Alex Halliday		
<b>Approved by</b>	Alex Halliday	<b>Grade</b>	Director
<b>Signature</b>			

<b>Security classification</b>	Confidential		
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<b>Related project documents</b>	MNCM0714		

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# 1

## Introduction and Exclusions



## Southside Masterplan A67

### Approximate Order of Cost Estimate

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#### 1.0 Introduction

Gleeds have been requested by Tees Valley Combined Authority to provide an Approximate Order of Cost Estimate for the DTVA Southside Skylink scheme.

The scheme was originally tendered in 2008, tenders were received from 5nr tendering contractors consisting of Costain, Balfour Beatty, Morrison, Barhale and Hall Construction. For the purposes of this exercise Gleeds has used the lowest tender figure from Hall Construction and applied industry indices to inflate the tender prices and allowances to present day. The BCIS All-in Tender Price Indices has been used in this regard.

- NEDL 9MVA power supply (Provisional)
- Plot Substations
- Increased lagoon size due to revised run off rate
- Additional 1,000m of road to full extent of Masterplan
- Street lighting supplies; increased costs as per quote received
- Foul drainage package treatment plant (scheme to be defined)
- Relocation of B Centre
- Relocation of VDF
- Gas Main Diversion (High Pressure); may not be required if agreement can be achieved to protect with concrete slab
- Inflation 4Q2008 - Q32019
- Professional Fees
- Contingency

#### 2.0 Exclusions

VAT  
Inflation beyond present day (3Q 2019)  
Land purchase costs  
Surveys and statutory authority costs

# 2

## Approximate Order of Cost Estimate

## Approximate Order of Cost Estimate

Ref.	Item	nr	Unit	Rate	Qty.	Comments
<b>1.0</b>	<b>Original Tender - Hall Construction</b>					
1.1	Preliminaries; based on 36 weeks		item		429,655	As original tender
1.2	Provisional Sums and Dayworks		item		1,479,150	As original tender
1.3	Civils West of Carters Lane		item		3,463,818	As original tender
1.4	Civils East of Carters Lane		item		1,066,485	As original tender
1.5	Services Infrastructure; spec and drawings		item		949,708	As original tender
1.6	Landscaping		item		429,923	As original tender
	<b>Total (£) - Tender Sum</b>				<b>7,818,739</b>	Base date Q4 2008
<b>2.0</b>	<b>Items Excluded from Original Tender</b>					
2.1	NEDL 9MVA Power Supply from Urlay Nook		item		1,500,000	Provisional figure agreed with Aecom
2.2	Allowance for Plot Substations; 1 MVA per plot	9	nr	80,000	720,000	Allowance £80k/MVA
2.3	Lagoons - additional allowance for 3.7l/s from 5.2l/s as Stockton requirement				90,000	50% additional costs on lagoon tender sum
2.4	Additional road length; 1000m as masterplan (Aecom markup)				2,640,000	Pro rata
2.5	Street lighting supplies; quotes received following tender, extra over provisional sum		item		27,000	Quote of £42k received
2.6	Foul Drainage - Package Treatment Plant				200,000	Allowance for 2nr - scheme to be developed
2.7	Relocation of B Centre				98,500	As original Cost Plan
2.8	Relocation of VDF				100,000	As original Cost Plan
2.9	Gas Main Diversion (High Pressure)				1,300,000	Full outage diversion Auger crossing
	<b>Sub-Total (£) Rounded</b>				<b>14,490,000</b>	
<b>3.0</b>	<b>Other Items</b>					
3.1	Inflation: Q4 2008 - Q3 2019	40.8		%	5,006,160	All in TPI (240-338) Excludes 2.1 and 2.2 above
3.2	Professional Fees	10		%	1,949,616	
3.3	Contingency	10		%	2,144,578	
	<b>Total (£) Rounded</b>				<b>23,600,000</b>	

# 3

## Provisional, Prime Cost and Dayworks

## List of Provisional, Prime Cost Sums & Dayworks

Ref.	Item	nr	Unit	Rate		Qty.	Comments
<b>1.0</b>	<b>Prime Cost Sums - included in Tender Return</b>						
1.1	Gas Service (Fulcrum)		item			280,000	
1.2	Water Service		item			107,000	
1.3	BT (Comms) Diversion		item			78,000	
1.4	Virgin (Comms) Diversion		item			65,000	
1.5	Fibre Optic Cable to Radar		item			100,000	May not be required
1.6	Drainage works within Farmers Field		item			75,000	
1.7	New street lighting supplies		item			15,000	
<b>2.0</b>	<b>Provisional Sums - included in Tender Return</b>						
2.1	Diverting water main to SERCO		item			15,000	
2.2	Bird netting, foundation, stairs and maintenance track to lagoons		item			125,000	
2.3	Pumping stations		item			200,000	
2.4	Screen wall, wall and paving to Skylink entrance		item			25,000	
2.5	GRP enclosure		item			12,000	
2.6	Substation enclosure		item			50,000	
2.7	Drainage work to ditches along Carter Lane		item			10,000	
2.8	Infilling pond		item			5,000	
2.9	Signage to roundabout		item			30,000	
2.10	Lighting to signage		item			50,000	
2.11	Asbestos survey and associated removal		item			50,000	
2.12	SW Rising Main		item			25,000	
<b>3.0</b>	<b>Dayworks included in Tender Return</b>						
3.1	Labour		item			50,000	
3.2	Materials		item			25,000	
3.3	Plant		item			25,000	
	<b>Total (£)</b>					<b>1,417,000</b>	Base date Q4 2008
<p>Note: the costs above exclude OH&amp;P and incidental costs, the total costs for Provisional Sums and Dayworks is £1,479,150 and <b>EXCLUDES</b> inflation to present day. <b>These costs are included in the AOCE.</b></p>							





		Years ==>>											
		1	2	3	4	5	6	7	8	9	10	11	
	<b>Sq Ft</b>												
	<b>Income</b>												
B1 Business (Offices)	36,447	6,855	-	-	42	83	125	166	208	249	291	332	374
B1 (Supporting Other Business)	75,175	4,712	-	-	29	57	86	114	143	171	200	229	257
B2 General (Industrial)	38,750	2,430	-	-	15	29	44	59	74	88	103	118	133
B8 Storage & Distribution	1,751,643	109,826	-	-	666	1,331	1,997	2,662	3,328	3,994	4,659	5,325	5,991
B8 Hangers (Warehouse) / B2 (Industrial)	1,453,128	91,112	-	-	552	1,104	1,657	2,209	2,761	3,313	3,865	4,418	4,970
<b>Development total floorspace</b>	<b>3,355,143</b>												
<b>Development Income</b>		<b>625,254</b>	-	-	<b>1,304</b>	<b>2,604</b>	<b>3,909</b>	<b>5,210</b>	<b>6,514</b>	<b>7,815</b>	<b>9,118</b>	<b>10,422</b>	<b>11,725</b>
B1 Business (Offices)		5,820	-	-	388	388	388	388	388	388	388	388	388
B1 (Supporting Other Business)		12,015	-	-	801	801	801	801	801	801	801	801	801
B2 General (Industrial)		1,860	-	-	124	124	124	124	124	124	124	124	124
B8 Storage & Distribution		84,000	-	-	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
B8 Hangers (Warehouse) / B2 (Industrial)		69,690	-	-	4,646	4,646	4,646	4,646	4,646	4,646	4,646	4,646	4,646
Infrastructure		23,600	7,867	7,867	7,867	-	-	-	-	-	-	-	-
Marketing costs 1% GDV		2,765	395	395	395	395	395	395	395	-	-	-	-
<b>Development Costs</b>		<b>199,751</b>	<b>8,262</b>	<b>8,262</b>	<b>19,821</b>	<b>11,954</b>	<b>11,954</b>	<b>11,954</b>	<b>11,954</b>	<b>11,559</b>	<b>11,559</b>	<b>11,559</b>	<b>11,559</b>
Asset Management fees on revenues @ 1%			-	-	13	26	39	52	65	78	91	104	117
<b>EBITDA</b>		<b>619,001</b>	-	-	<b>1,291</b>	<b>2,578</b>	<b>3,870</b>	<b>5,158</b>	<b>6,449</b>	<b>7,737</b>	<b>9,027</b>	<b>10,318</b>	<b>11,608</b>
Development Costs Cashflow <b>EXCLUDING</b> Infrastructure		176,150	395	395	11,954	11,954	11,954	11,954	11,954	11,559	11,559	11,559	11,559
Development finance repayments at 3% 25yrs		240,944	23	45	732	1,418	1,777	2,454	3,130	3,783	4,436	5,089	5,742
<b>Surplus available following deduction of Development Loan Repayments</b>		<b>378,057</b>	- 23	- 45	<b>559</b>	<b>1,160</b>	<b>2,093</b>	<b>2,704</b>	<b>3,319</b>	<b>3,953</b>	<b>4,590</b>	<b>5,229</b>	<b>5,866</b>
JV Developer Partner's Share of Income (@50%)		50.00%	- 11	- 23	280	580	1,046	1,352	1,659	1,977	2,295	2,614	2,933
Surplus available to TIA following deduction of JV Partner's Share		50.00%	- 11	- 23	280	580	1,046	1,352	1,659	1,977	2,295	2,614	2,933
TIA infrastructure repayments 3% 25 year loans		33,880	452	903	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355
<b>TIA net income return</b>		<b>155,149</b>	<b>(463)</b>	<b>(926)</b>	<b>(1,076)</b>	<b>(775)</b>	<b>(309)</b>	<b>(3)</b>	<b>304</b>	<b>622</b>	<b>940</b>	<b>1,259</b>	<b>1,578</b>
TVCA Cashflow financing requirement			(463)	(1,389)	(2,465)	(3,240)	(3,549)	(3,552)					
TIA repayment on TVCA cashflow financing									(3,248)	(2,626)	(1,686)	(427)	(427)
<b>TIA profit</b>		<b>155,149</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,151</b>
<b>Memorandum: Total finance repayments for infrastructure and development</b>		<b>274,824</b>	<b>474</b>	<b>949</b>	<b>2,087</b>	<b>2,774</b>	<b>3,132</b>	<b>3,809</b>	<b>4,485</b>	<b>5,139</b>	<b>5,792</b>	<b>6,444</b>	<b>7,097</b>

		Years ==>>	12	13	14	15	16	17	18	19	20	21	22
	<b>Sq Ft</b>	<b>Income</b>											
B1 Business (Offices)	36,447	6,855	415	457	499	540	582	623	623	623	623	623	623
B1 (Supporting Other Business)	75,175	4,712	286	314	343	371	400	428	428	428	428	428	428
B2 General (Industrial)	38,750	2,430	147	162	177	191	206	221	221	221	221	221	221
B8 Storage & Distribution	1,751,643	109,826	6,656	7,322	7,987	8,653	9,319	9,984	9,984	9,984	9,984	9,984	9,984
B8 Hangers (Warehouse) / B2 (Industrial)	1,453,128	91,112	5,522	6,074	6,626	7,178	7,731	8,283	8,283	8,283	8,283	8,283	8,283
<b>Development total floorspace</b>	<b>3,355,143</b>												
<b>Development Income</b>		<b>625,254</b>	<b>13,026</b>	<b>14,329</b>	<b>15,632</b>	<b>16,933</b>	<b>18,238</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>
B1 Business (Offices)		5,820	388	388	388	388	388	388	-	-	-	-	-
B1 (Supporting Other Business)		12,015	801	801	801	801	801	801	-	-	-	-	-
B2 General (Industrial)		1,860	124	124	124	124	124	124	-	-	-	-	-
B8 Storage & Distribution		84,000	5,600	5,600	5,600	5,600	5,600	5,600	-	-	-	-	-
B8 Hangers (Warehouse) / B2 (Industrial)		69,690	4,646	4,646	4,646	4,646	4,646	4,646	-	-	-	-	-
Infrastructure		23,600	-	-	-	-	-	-	-	-	-	-	-
Marketing costs 1% GDV		2,765	-	-	-	-	-	-	-	-	-	-	-
<b>Development Costs</b>		<b>199,751</b>	<b>11,559</b>	<b>11,559</b>	<b>11,559</b>	<b>11,559</b>	<b>11,559</b>	<b>11,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Asset Management fees on revenues @ 1%			130	143	156	169	182	195	195	195	195	195	195
<b>EBITDA</b>		<b>619,001</b>	<b>12,896</b>	<b>14,186</b>	<b>15,476</b>	<b>16,764</b>	<b>18,056</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>
Development Costs Cashflow <b>EXCLUDING</b> Infrastructure		176,150	11,559	11,559	11,559	11,559	11,559	11,559	-	-	-	-	-
Development finance repayments at 3% 25yrs		240,944	6,394	7,045	7,697	8,348	8,998	9,648	9,634	9,620	9,605	9,590	9,574
<b>Surplus available following deduction of Development Loan Repayments</b>		<b>378,057</b>	<b>6,502</b>	<b>7,140</b>	<b>7,779</b>	<b>8,416</b>	<b>9,057</b>	<b>9,695</b>	<b>9,709</b>	<b>9,724</b>	<b>9,739</b>	<b>9,754</b>	<b>9,770</b>
JV Developer Partner's Share of Income (@50%)	50.00%	50,000	3,251	3,570	3,889	4,208	4,529	4,848	4,855	4,862	4,869	4,877	4,885
Surplus available to TIA following deduction of JV Partner's Share	50.00%	50,000	3,251	3,570	3,889	4,208	4,529	4,848	4,855	4,862	4,869	4,877	4,885
TIA infrastructure repayments 3% 25 year loans		33,880	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355
<b>TIA net income return</b>		<b>155,149</b>	<b>1,896</b>	<b>2,215</b>	<b>2,534</b>	<b>2,853</b>	<b>3,173</b>	<b>3,492</b>	<b>3,499</b>	<b>3,507</b>	<b>3,514</b>	<b>3,522</b>	<b>3,530</b>
TVCA Cashflow financing requirement													
TIA repayment on TVCA cashflow financing													
<b>TIA profit</b>		<b>155,149</b>	<b>1,896</b>	<b>2,215</b>	<b>2,534</b>	<b>2,853</b>	<b>3,173</b>	<b>3,492</b>	<b>3,499</b>	<b>3,507</b>	<b>3,514</b>	<b>3,522</b>	<b>3,530</b>
<b>Memorandum: Total finance repayments for infrastructure and development</b>		<b>274,824</b>	<b>7,749</b>	<b>8,401</b>	<b>9,052</b>	<b>9,703</b>	<b>10,353</b>	<b>11,004</b>	<b>10,990</b>	<b>10,975</b>	<b>10,960</b>	<b>10,945</b>	<b>10,929</b>

		Years ==>>	23	24	25	26	27	28	29	30	31	32	33
	<b>Sq Ft</b>	<b>Income</b>											
B1 Business (Offices)	36,447	6,855	623	623	623	623	623	623	623	623	623	623	623
B1 (Supporting Other Business)	75,175	4,712	428	428	428	428	428	428	428	428	428	428	428
B2 General (Industrial)	38,750	2,430	221	221	221	221	221	221	221	221	221	221	221
B8 Storage & Distribution	1,751,643	109,826	9,984	9,984	9,984	9,984	9,984	9,984	9,984	9,984	9,984	9,984	9,984
B8 Hangers (Warehouse) / B2 (Industrial)	1,453,128	91,112	8,283	8,283	8,283	8,283	8,283	8,283	8,283	8,283	8,283	8,283	8,283
<b>Development total floorspace</b>	<b>3,355,143</b>												
<b>Development Income</b>		<b>625,254</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>
B1 Business (Offices)		5,820	-	-	-	-	-	-	-	-	-	-	-
B1 (Supporting Other Business)		12,015	-	-	-	-	-	-	-	-	-	-	-
B2 General (Industrial)		1,860	-	-	-	-	-	-	-	-	-	-	-
B8 Storage & Distribution		84,000	-	-	-	-	-	-	-	-	-	-	-
B8 Hangers (Warehouse) / B2 (Industrial)		69,690	-	-	-	-	-	-	-	-	-	-	-
Infrastructure		23,600	-	-	-	-	-	-	-	-	-	-	-
Marketing costs 1% GDV		2,765	-	-	-	-	-	-	-	-	-	-	-
<b>Development Costs</b>		<b>199,751</b>	-	-	-	-	-	-	-	-	-	-	-
Asset Management fees on revenues @ 1%			195	195	195	195	195	195	195	195	195	195	195
<b>EBITDA</b>		<b>619,001</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>
Development Costs Cashflow <b>EXCLUDING</b> Infrastructure		176,150	-	-	-	-	-	-	-	-	-	-	-
Development finance repayments at 3% 25yrs		240,944	9,558	9,541	9,524	9,483	9,442	8,737	8,031	8,011	7,325	6,638	5,974
<b>Surplus available following deduction of Development Loan Repayments</b>		<b>378,057</b>	<b>9,786</b>	<b>9,803</b>	<b>9,820</b>	<b>9,860</b>	<b>9,901</b>	<b>10,607</b>	<b>11,313</b>	<b>11,333</b>	<b>12,019</b>	<b>12,706</b>	<b>13,369</b>
JV Developer Partner's Share of Income (@50%)	50.00%	50,000	4,893	4,901	4,910	4,930	4,951	5,303	5,656	5,666	6,010	6,353	6,685
Surplus available to TIA following deduction of JV Partner's Share	50.00%	50,000	4,893	4,901	4,910	4,930	4,951	5,303	5,656	5,666	6,010	6,353	6,685
TIA infrastructure repayments 3% 25 year loans		33,880	1,355	1,355	1,355	903	452	-	-	-	-	-	-
<b>TIA net income return</b>		<b>155,149</b>	<b>3,538</b>	<b>3,546</b>	<b>3,555</b>	<b>4,027</b>	<b>4,499</b>	<b>5,303</b>	<b>5,656</b>	<b>5,666</b>	<b>6,010</b>	<b>6,353</b>	<b>6,685</b>
TVCA Cashflow financing requirement													
TIA repayment on TVCA cashflow financing													
<b>TIA profit</b>		<b>155,149</b>	<b>3,538</b>	<b>3,546</b>	<b>3,555</b>	<b>4,027</b>	<b>4,499</b>	<b>5,303</b>	<b>5,656</b>	<b>5,666</b>	<b>6,010</b>	<b>6,353</b>	<b>6,685</b>
<b>Memorandum: Total finance repayments for infrastructure and development</b>		<b>274,824</b>	<b>10,913</b>	<b>10,896</b>	<b>10,879</b>	<b>10,387</b>	<b>9,894</b>	<b>8,737</b>	<b>8,031</b>	<b>8,011</b>	<b>7,325</b>	<b>6,638</b>	<b>5,974</b>

		Years ==>>	34	35	36	37	38	39	40	41
	<b>Sq Ft</b>	<b>Income</b>								
B1 Business (Offices)	36,447	6,855	623	623	623	623	623	623	623	623
B1 (Supporting Other Business)	75,175	4,712	428	428	428	428	428	428	428	428
B2 General (Industrial)	38,750	2,430	221	221	221	221	221	221	221	221
B8 Storage & Distribution	1,751,643	109,826	9,984	9,984	9,984	9,984	9,984	9,984	9,984	9,984
B8 Hangers (Warehouse) / B2 (Industrial)	1,453,128	91,112	8,283	8,283	8,283	8,283	8,283	8,283	8,283	8,283
<b>Development total floorspace</b>	<b>3,355,143</b>									
<b>Development Income</b>		<b>625,254</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>	<b>19,539</b>
B1 Business (Offices)		5,820	-	-	-	-	-	-	-	-
B1 (Supporting Other Business)		12,015	-	-	-	-	-	-	-	-
B2 General (Industrial)		1,860	-	-	-	-	-	-	-	-
B8 Storage & Distribution		84,000	-	-	-	-	-	-	-	-
B8 Hangers (Warehouse) / B2 (Industrial)		69,690	-	-	-	-	-	-	-	-
Infrastructure		23,600	-	-	-	-	-	-	-	-
Marketing costs 1% GDV		2,765	-	-	-	-	-	-	-	-
<b>Development Costs</b>		<b>199,751</b>	-	-	-	-	-	-	-	-
Asset Management fees on revenues @ 1%			195	195	195	195	195	195	195	195
<b>EBITDA</b>		<b>619,001</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>	<b>19,344</b>
Development Costs Cashflow <b>EXCLUDING</b> Infrastructure		176,150	-	-	-	-	-	-	-	-
Development finance repayments at 3% 25yrs		240,944	5,310	4,647	3,983	3,319	2,655	1,991	1,328	664
<b>Surplus available following deduction of Development Loan Repayments</b>		<b>378,057</b>	<b>14,033</b>	<b>14,697</b>	<b>15,361</b>	<b>16,025</b>	<b>16,688</b>	<b>17,352</b>	<b>18,016</b>	<b>18,680</b>
JV Developer Partner's Share of Income (@50%)		50.00%	7,017	7,348	7,680	8,012	8,344	8,676	9,008	9,340
Surplus available to TIA following deduction of JV Partner's Share		50.00%	7,017	7,348	7,680	8,012	8,344	8,676	9,008	9,340
TIA infrastructure repayments 3% 25 year loans		33,880	-	-	-	-	-	-	-	-
<b>TIA net income return</b>		<b>155,149</b>	<b>7,017</b>	<b>7,348</b>	<b>7,680</b>	<b>8,012</b>	<b>8,344</b>	<b>8,676</b>	<b>9,008</b>	<b>9,340</b>
TVCA Cashflow financing requirement										
TIA repayment on TVCA cashflow financing										
<b>TIA profit</b>		<b>155,149</b>	<b>7,017</b>	<b>7,348</b>	<b>7,680</b>	<b>8,012</b>	<b>8,344</b>	<b>8,676</b>	<b>9,008</b>	<b>9,340</b>
<b>Memorandum: Total finance repayments for infrastructure and development</b>		<b>274,824</b>	<b>5,310</b>	<b>4,647</b>	<b>3,983</b>	<b>3,319</b>	<b>2,655</b>	<b>1,991</b>	<b>1,328</b>	<b>664</b>