

# Tees Valley Combined Authority Cabinet Annual General Meeting Agenda

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**Date:** Friday, 1<sup>st</sup> June, 2018 at 10.00am

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

**Membership:**

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

**Associate Membership:**

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

**AGENDA**

**Annual General Meeting**

**1. Apologies for absence**

Attached

**3. Annual Meeting Business**

Attached

## Tees Valley Combined Authority Cabinet Annual General Meeting Agenda

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### **Business Meeting**

#### **4. Minutes**

The minutes of the meeting of 14th May 2018 for confirmation

#### **5. Managing Director's Update (including Supplementary Report on South Tees Site Developments)**

Attached

#### **6. Adult Education Budget Parliamentary Order**

Attached

#### **7. Tees Valley Careers and Enterprise Initiative**

Attached

#### **8. Overview and Scrutiny Committee Annual Report**

Attached

#### **9. Investment Plan Delivery Report**

Attached

#### **10. IT Infrastructure for Redcar & Cleveland College**

Attached

#### **11. Action Plan to Deliver European Structural Investment Funds**

Attached

#### **12. Darlington Railway Station 2025**

Attached

#### **13. Sector Action Plan – Digital**

Attached

#### **14. Annual Financial Statements**

Attached

## Tees Valley Combined Authority Cabinet Annual General Meeting Agenda

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### **15. Transforming Cities Fund Report**

Attached

### **16. South Tees Development Corporation – STSC Transition Plan**

Attached

Appendix 1 is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

#### **Members of the Public - Rights to Attend Meeting**

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

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## **Teess Valley Combined Authority Declaration of Interests Procedures**

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

### **Personal Interests**

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

### **Declarations of interest relating to the Councils' commercial role**

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

### **Procedures for Declaring Interests**

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

#### **Register of Interests**

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

#### **Declaration of Interests at Meetings**

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

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

**Sensitive Information**

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

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## AGENDA ITEM 3

### REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

1<sup>st</sup> JUNE 2018

### REPORT OF THE MANAGING DIRECTOR

## ANNUAL MEETING GOVERNANCE AND APPOINTMENTS

### SUMMARY

This report details a number of items for agreement and confirmation by the Combined Authority Cabinet at its Annual General Meeting (AGM).

### RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. agrees the appointments as set out at Appendix 1;
- ii. agrees the members' allowances scheme for 2018-19 at Appendix 2;
- iii. agrees the recommendations of the Independent Remuneration Panel relating to the Mayor's allowance.
- iv. notes that no substantive changes to the Constitution are proposed.

### DETAIL

1. There are a number of items of business that the Combined Authority Cabinet is required to confirm at the AGM, and these are set out below.

#### **Appointments**

2. The Cabinet is recommended to agree a number of appointments to its statutory committees for the municipal year 2018-19. The appointments schedule at **Appendix 1** details nominations to the statutory committees. It also details a number of non-statutory/advisory board appointments, external appointments and confirmation of statutory officers.
3. In summary, appointments are being made to the following statutory Committees:

- **Deputy Mayor** – under our Constitution, the role of Deputy Mayor circulates annually amongst the Council Leaders. In line with this rotation, Cllr Bill Dixon, Leader of Darlington Council, is nominated as the Deputy Mayor for the 2018-19 municipal year.
- **Cabinet** – the Cabinet is the decision making body for the Combined Authority. The Mayor chairs the Cabinet, made up of the five Constituent Authority Leaders, and the Chair of the LEP as a non-voting member. The Council Leaders have proposed not to alter the allocation of portfolio responsibilities and these are set out at Appendix 1.
- **Overview and Scrutiny Committee** – this statutory committee reviews the policies and operations of the Combined Authority, ensuring effective democratic scrutiny of decisions. Members have been appointed by each of the constituent authorities, on the basis of political balance as set out in the constitution.
- **Transport Committee** – this statutory committee reviews transport strategy and policies of the Combined Authority and makes recommendations to Cabinet. Members are drawn from the executive member with transport responsibilities from each constituent authority, plus a private sector LEP member.
- **Audit and Governance Committee** – this statutory committee assures sound governance and financial management of the Combined Authority. Members have been appointed from each constituent authority, on the basis of political balance. In the case of Hartlepool, the appointment has been made of an independent councillor, in place of the Labour member that was otherwise determined through the political balance formula. Three independent (private sector) members have also been appointed.

Other non-statutory/advisory groups:

- **Land Commission** – this body maximises the use of brownfield land and land owned by government departments and agencies to support economic development and new homes.
- **Education, Employment and Skills Partnership Board** – this board brings together partners to provide strategic oversight on policies improving educational outcomes, enhancing skills and helping people into work.
- **Culture and Tourism Partnership Board** - this board brings together partners working to improve the Tees Valley's cultural offer and to boost visitor numbers, including the bid to be City of Culture 2025.
- **Innovation Task Group** –experts on innovation and technology who provide expertise and guidance on specific initiatives and policies as part of the Tees Valley's industrial strategy. The group does not meet on a formal basis, but its membership makes up specific task and finish and advisory groups as required.
- **Transport Advisory Group** – this group brings together officers and partners with responsibilities for the Tees Valley's transport infrastructure.

- **Business Compass Steering Group** - the group oversees the Tees Valley's business growth services.

### **Local Enterprise Partnership Membership**

4. The Local Enterprise Partnership (LEP) is the principal forum for collaboration between the public and private sectors. LEPs exist across England and form part of a national network, but in the Tees Valley the partnership is strengthened by its integration within the decision-making structures of the Combined Authority. This also means that the Tees Valley LEP can demonstrate sound governance, and fully meets the requirements set by government for the operation of LEPs. LEP members are also Associate Members of the Tees Valley Combined Authority Cabinet.
5. In order to strengthen the group of business leaders on the LEP, a recent round of recruitment has taken place. In particular the focus has been on attracting members from the digital and culture/tourism sectors, and also increasing the diversity of the group.
6. Cabinet is asked to approve the appointment of Mark South, Chief Operating Officer of Double 11 Ltd, to the LEP. Mark will bring a wealth of knowledge and skills on the digital sector to the group.
7. The LEP and the Combined Authority recognise that there is more that they can do to strengthen the diversity of the LEP and will undertake a much more proactive recruitment campaign, commencing in June.

### **Appointments to External Bodies**

8. The appointment schedule also proposes Tees Valley representation on a small number of external bodies; including Transport for the North, European Structural Investment Fund sub-committee (constituted by the government as managing authority for European Union funding) the Local Government Association and the Key Cities network.

### **Officer Groups**

9. The Combined Authority supports a range of officer groups which ensure coordination between the authority and its constituent councils. The arrangements for officer coordination are currently under review, to ensure that effective communication and close partnership arrangements are maintained between officers on all aspect of the Combined Authority's responsibilities.

### **Statutory Officers**

10. The schedule also confirms the appointment of the Combined Authority's Statutory and Chief Officers. Following the recent appointment of the current Managing Director, Andrew Lewis, as Chief Executive of Cheshire West and Chester Council, Julie Gilhespie has been appointed as Interim Managing Director. They will work together through a short transition period, and the process to recruit a permanent Managing Director has now been initiated. Julie Gilhespie continues in the role of Finance Director, and steps will be taken to provide additional support for her in that role. It is also proposed that Andrew Nixon of Redcar and Cleveland Council continues to fulfil the role of Monitoring Officer.

11. The Cabinet is recommended to formally agree the appointments as presented in Appendix 1.
12. Under our constitution, members of the Overview and Scrutiny Committee and the Audit and Governance Committee are invited to propose their own chairs and vice-chairs; within constraints set by the legislation. Recommendations for these appointments will therefore be brought to the July meeting of the Cabinet for confirmation, following committee meetings in May and June.

### **Members' Allowances Scheme and Mayoral Allowance**

13. The Mayor's allowance is set following the recommendation to Cabinet by the Independent Remuneration Panel. Cabinet agreed last year that the Panel should be reconvened one year on from the election of the Tees Valley Mayor, to review its recommendation. This meeting took place on 18<sup>th</sup> May 2018. During its deliberations the Panel noted the principle established at last year's meeting that the Mayoral Allowance be set at an average of the allowances provided to the Leaders of the five Constituent Authorities, reflecting the principle of collective decision making established by the Combined Authority. They recommended that this formula should continue to apply for the remainder of the current Mayoral term. They however noted that the Tees Valley Mayor's allowance is significantly lower than other Combined Authority Mayors with comparable responsibilities.
14. The Panel recommended that it meet again in approximately one year's time to consider the allowance that would be applicable for the Mayor that will be elected in May 2020 and that professional, independent advice, looking at Mayoral allowances in detail, be commissioned to be considered at this meeting. They would then make a recommendation to Cabinet, for consideration before the point at which candidates for the 2020 mayoral election would be selected.
15. Member's travel and subsistence allowances for the year 2018-19 (which remain unchanged from 2017-18), are detailed in Appendix 2.

### **Amendments to the Constitution**

16. The Constitution of the Combined Authority has proved effective in governing the authority in its first year as a Mayoral authority, and no substantive amendments to the Constitution are proposed.

### **FINANCIAL IMPLICATIONS**

17. 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**

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

### **RISK ASSESSMENT**

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

## **CONSULTATION**

20. The five Constituent Local Authority Leaders have been appropriately consulted on appointments, and nominations have been made through each council. The Mayor has also been consulted on these proposals.

## **RECOMMENDATIONS**

21. It is recommended that the Combined Authority Cabinet agrees the appointments as set out at Appendix 1.

**Name of Contact Officer: Sarah Brackenborough**

**Post Title: Governance Manager**

**Telephone Number: 01642 524423**

**Email Address: [sarah.brackenborough@teesvalley-ca.gov.uk](mailto:sarah.brackenborough@teesvalley-ca.gov.uk)**

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**Note: Due to the timing of the Annual General Meetings of the Constituent Authorities some positions remained unconfirmed prior to the publication of this report.**

**Members will be notified of any updated or amended appointments at the meeting or future cabinet meetings as appropriate.**

## **APPOINTMENTS 2018/19**

### **PART A – STATUTORY COMMITTEES AND LOCAL ENTERPRISE PARTNERSHIP BOARD**

#### **TEES VALLEY COMBINED AUTHORITY CABINET**

Chair / Tees Valley Mayor	Mayor Ben Houchen	
Cabinet Member/Deputy Mayor	Cllr Bill Dixon	Transport
Cabinet Member	Cllr Bob Cook	Housing and Regeneration
Cabinet Member	Mayor David Budd	Culture, Tourism and Innovation
Cabinet Member	Cllr Sue Jeffrey	Investment and Business Growth
Cabinet Member	Cllr Christopher Akers-Belcher	Education, Employment and Skills
Member (LEP Chair)	Paul Booth	

Substitute Cabinet Member (Stockton)	Cllr Jim Beall
Substitute Cabinet Member (Darlington)	Cllr Stephen Harker
Substitute Cabinet Member (Middlesbrough)	Cllr Charles Rooney
Substitute Cabinet Member (Hartlepool)	Cllr Kevin Cranney
Substitute Cabinet Member (Redcar & Cleveland)	Cllr Chris Massey
Substitute LEP Member	David Soley

#### **LOCAL ENTERPRISE PARTNERSHIP BOARD**

Chair	Paul Booth	Associate Members on the Combined Authority Cabinet
Member (Higher Education)	Professor Paul Croney	
Member (Further Education)	Darren Hankey	
Member	Angela Howey	
Member	Jerry Hopkinson	
Member	Mike Matthews	
Member	Siobhan McArdle	
Member	Alby Pattinson	
Member	Nigel Perry	
Member	Graham Robb	
Member	David Soley	
Member	Mark South	
Observer (Business Representative Organisations)*	James Ramsbotham	

**\*Observer on behalf of the Tees Valley membership of North East England Chamber of Commerce; Confederation of British Industry; Federation of Small Businesses; Engineering Employers Federation; Tees Valley Business Club; and Entrepreneurs Forum. To rotate annually.**

## **TRANSPORT COMMITTEE**

Chair	Cllr Bill Dixon	Combined Authority Cabinet Member
Vice Chair	Cllr Kevin Cranney	Hartlepool Executive Member
Member	Cllr Lewis Young	Middlesbrough Executive Member
Member	Cllr Bob Norton	Redcar & Cleveland Executive Member
Member	Cllr Mike Smith	Stockton Executive Member
Member	Cllr Nick Wallis	Darlington Executive Member
Member	TBC	Local Enterprise Partnership

Substitute Member	TBC	Middlesbrough
Substitute Member	Cllr Jim Lindridge	Hartlepool
Substitute Member	Cllr David Walsh	Redcar & Cleveland
Substitute Member	Cllr Nigel Cooke	Stockton
Substitute Member	Cllr Bob Carson	Darlington
Substitute LEP Member	TBC	Local Enterprise Partnership

**The membership of the Committee shall comprise the executive members with portfolio responsibility for transport within each constituent authority, and 1 LEP member on a non-voting basis. Substitute members to be appointed for each executive member and LEP member, with the authority to act as their representative. The Vice-Chair will be appointed by the Cabinet from amongst the Executive Members.**

## **OVERVIEW AND SCRUTINY COMMITTEE**

Member	Cllr Ian Haszeldine	Darlington	Labour
Member	Cllr Sonia Kane	Darlington	Labour
Member	Cllr Marjorie James	Darlington	Conservative
Member	Cllr Stephen Akers-Belcher	Hartlepool	Labour
Member	Cllr Rob Cook	Hartlepool	Labour
Member	Cllr Mike McLaughlin	Hartlepool	Labour
Member	Cllr Jean Sharrocks	Middlesbrough	Labour
Member	Cllr Matthew Storey	Middlesbrough	Labour
Member	Cllr Vic Walkington	Middlesbrough	Labour
Member	Cllr Neil O'Brien	Redcar and Cleveland	Labour
Member	Cllr Phillip Thompson	Redcar and Cleveland	Conservative
Member	Cllr Glynn Nightingale	Redcar and Cleveland	Liberal Democrat
Member	Cllr Matthew Vickers	Stockton	Conservative
Member	Cllr Derrick Brown	Stockton	Labour
Member	Cllr Norma Stephenson	Stockton	Labour

**The membership shall comprise 15 members, 3 from each Constituent Authority. The members nominated by the Constituent Authorities shall reflect, as far as reasonably practicable, the balance of the political parties among members of the Constituent Authorities collectively. The Chair and Vice-Chair will be appointed by the Cabinet from amongst the Members, following a proposal put to them by the Committee.**

The Chair shall not be a member of a registered political party of which the Mayor is also a member. Members may not be a Member or Substitute Member of the Combined Authority’s Cabinet or its Sub Committees.

#### AUDIT AND GOVERNANCE COMMITTEE

Member	Cllr Nicky Walker	Middlesbrough	Labour
Member	Cllr Bob Gordon	Redcar & Cleveland	Labour
Member	Cllr Charles Johnson	Darlington	Conservative
Member	Cllr Shane Moore	Hartlepool	Independent
Member	Cllr Barry Woodhouse	Stockton	Labour
Member	Jonathan Munby	Independent	
Member	Christopher White	Independent	
Member	Paul Bury	Independent	

Substitute Member	Cllr Alan Coultas	Darlington	Conservative
Substitute Member	TBC	Hartlepool	Labour
Substitute Member	TBC	Middlesbrough	Labour
Substitute Member	Cllr Alec Brown	Redcar & Cleveland	Labour
Substitute Member	Cllr Chris Barlow	Stockton	Labour

Each Constituent Authority to nominate one Member and Substitute Member with current or recent experience on their own Audit and Governance Committee. Members nominated by the Constituent Authorities shall reflect, as far as reasonably practicable, the balance of the political parties among members of the Constituent Authorities collectively.

For this municipal year Hartlepool Borough Council has nominated an independent member for membership of this committee, meaning comprehensive political balance as outlined in the Tees Valley Combined Authority Constitution has been deemed not reasonably practicable.

Members and Substitute Members may not be a Member or Substitute Member of the Combined Authority’s Cabinet or its Sub Committees. The membership shall include two independent members to provide advice in relation to finance and standards matters. The Chair and Vice-Chair will be appointed by the Cabinet from amongst the Members, following a proposal put to them by the Committee.

#### INDEPENDENT REMUNERATION PANEL

Member	Tony Campbell (Stockton)
Member	Cllr Paul Baldwin (Darlington)
Member	Jim Whiston (Middlesbrough)
Member	Colin Monson (Redcar & Cleveland)
Member	Clare Wilson (Hartlepool)

One member identified from each Constituent Authority with current or recent experience of their own Independent Remuneration Panel. Members may not be a Member or Substitute Member of the Combined Authority’s Cabinet or its Sub Committees.

**PART B – MEMBER-LED PARTNERSHIP/ADVISORY BOARDS****EDUCATION, EMPLOYMENT AND SKILLS PARTNERSHIP BOARD**

Chair	Cllr Christopher Akers-Belcher	Combined Authority Cabinet Member
Member	Cllr Jan Brunton Dobson	Middlesbrough Executive Member
Member	Cllr Kevin Cranney	Hartlepool Executive Member
Member	Cllr Craig Hannaway	Redcar & Cleveland Executive Member
Member	Cllr Nigel Cooke	Stockton Executive Member
Member	Cllr Cyndi Hughes	Darlington Executive Member
Partner	Laura Woods	Teesside University
Partner	Simon Healey	Association of Employment and Learning Providers
Partner	Andy Brown	Primary School Headteacher
Partner	Simon White	Secondary School Headteacher
Partner	Ted Salmon	Federation of Small Businesses (Business Representative)
Partner	Rachel Anderson	North East Chamber of Commerce (Business Representative)
Partner	Gemma Dyer	Prince's Trust (Voluntary and Community Sector Representative)
Partner	Steve Rose	Catalyst
Partner	Beth Farhat	TUC
Government	Lesley Monaghan	ESFA
Government	Steve Martin	Department of Work and Pensions
Government	Sindy Skeldon	Jobcentre Plus
Government	Janet Renou	Regional Schools Commissioner
Government	Margaret Coates	Department of Business, Energy & Industrial Strategy
Officer	Gill Alexander	Chair, Education Employment and Skills Officer Group
Officer	Shona Duncan	Head of Education, Employment and Skills, TVCA
Officer	Martin Gray	Director of Children's Services, Stockton Borough Council

**CULTURE AND TOURISM THEMATIC PARTNERSHIP**

Chair	Mayor David Budd	Combined Authority Cabinet Member
Member	Cllr Norma Wilburn	Stockton Executive Member
Member	Cllr Nick Wallis	Darlington Executive Member
Member	Cllr Mick Thompson	Middlesbrough Executive Member
Member	Cllr Carl Quartermain	Redcar & Cleveland Executive Member
Member	Cllr Kevin Cranney	Hartlepool Executive Member
Partner	Annabel Turpin	Stockton ARC
Partner	Ivor Crowther	Heritage Lottery Fund
Partner	Patrick Chapman	Northern College of Art
Partner	Eamon Elliott	Rockliffe Hall
Partner	Sharon Patterson	Teesside University
Partner	Carol Pyrah	Historic England
Partner	Robin Bloom	Bulk Haul

Partner	Sarah Maxfield	Arts Council
Partner	Matthew Jarrett	North East Culture Partnership
Partner	Charlotte Nichol	Middlesbrough
Partner	Ruben Kench	Stockton
Partner	Amanda Skelton	Redcar & Cleveland
Officer	Linda Tuttiett	TVCA
Officer	Charlie Kemp	TVCA

#### **THE TEES VALLEY LAND COMMISSION**

Chair	Mayor Ben Houchen	Tees Valley Mayor
Vice Chair	Cllr Bob Cook	Combined Authority Cabinet Member
Member	Cllr Nigel Cooke	Stockton Executive Member
Member	Cllr Chris McEwan	Darlington Executive Member
Member	Cllr Charles Rooney	Middlesbrough Executive Member
Member	Cllr Lynn Pallister	Redcar & Cleveland Executive Member
Member	Cllr Kevin Cranney	Hartlepool Executive Member
Partner	Robert Pearson	Homes England
Officer	Neil Schneider	Stockton

## **PART C - PARTNER LED GROUPS**

### **INNOVATION TASK GROUP**

Chair	Nigel Perry	CPI
Partner	Geoff Archer	Teesside University
Partner	Simon Hodgson	Teesside University
Partner	Laura Woods	Teesside University
Partner	Brian McCarthy	TSB
Partner	Scot Duncan	EEF
Partner	Chris Beck	TWI
Partner	Nicola Welsey	NHS Innovations North
Partner	Tim Hammond	Durham University
Partner	Steph Morris	Innovate UK
Partner	Peter Clark	KTN
Partner	TBC	NEPIC
Partner	John Gluyas	Durham Energy Institute
Partner	Christopher McDonald	MPI
Officer	Mark Lewis	TVCA
Officer	Keith Wilson	TVCA

The group does not meet on a formal basis, but its membership makes up specific task and finish and advisory groups as required.

### **TRANSPORT ADVISORY GROUP**

Chair	Richard McGuckin	Stockton
Officer	Andy Corcoran	Stockton
Officer	Dave Winstanley	Darlington
Officer	David Carter	Middlesbrough
Officer	Tony Hanson	Hartlepool
Officer	Simon Houldsworth	Redcar & Cleveland
Officer	Mark Wilson	TVCA
Officer	Steve Payne	TVCA
Partner	Sunny Ally	Highways England
Partner	David Grant	Durham Tees Valley Airport
Partner	Stephen Hind	Network Rail
Partner	Jerry Hopkinson	PD Ports
Partner	Margaret Jackson	Department for Transport
Partner	TBC	Voluntary Sector

The Officers of the Transport Advisory Group meet monthly. Partners from the Department for Transport, Network Rail, Highways England, Durham Tees Valley Airport and Teesport are invited to attend on a quarterly basis.

## BUSINESS COMPASS STEERING GROUP

Chair	Neil Kenley	Business Director, Combined Authority
Partner	Nicki Clark	BE Group
Partner	Simon Allen	BE Group
Partner	Karen Jones	BE Group
Partner	Shak Asghar	BE Group
Partner	Sue Parkinson	Business Compass Start up (NEEAL)
Partner	Will Nash	Business Compass Start Up (NEEAL)
Partner	Suhail Aslam	Innovate Tees Valley (Teesside University)
Partner	Rita Lawson	Tees Valley Rural Community Council
Partner	Rachel Anderson	North East Chamber of Commerce
Partner	Chris Simpson	UKTI
Partner	Laura Woods	Teesside University
Partner	Michael Janes	Federation of Small Business
Partner	Jane Reynolds	North Star Ventures/Tees Valley Business Club
Partner	Ben Carpenter-Merritt	EEF
Partner	Mark Wilcockson	British Business Bank
Partner	Steve Camm	North East Social Enterprise Partnership
Partner	James Robson	Entrepreneurs Forum
Partner	Lynsey Robinson	Digital City
Partner	Mike Milen	Redcar & Cleveland VDA
Partner	Joanne Rout	NEPIC
Government	Margaret Coates	BEIS
Officer	Israr Hussain	Hartlepool Council
Officer	Debbie Ingoldsby	Middlesbrough Council
Officer	Margie Oliver	Redcar & Cleveland Council
Officer	Joann Fryett	Stockton Council
Officer	Mark Carrigan	Darlington Council
Officer	Linda Edworthy	Strategy Director, Combined Authority
Officer	John Leer	Senior Business Investment Manager, Combined Authority
Officer	Lesley Short	Business Compass Project Coordinator, Combined Authority
Officer	Claire Leonard	Business Compass Claims and Monitoring Officer, Combined Authority
Harland Deer	Officer	Tourism Officer, Combined Authority

## **PART D - REPRESENTATION ON OTHER BODIES**

### **TRANSPORT FOR THE NORTH**

Member	Mayor Ben Houchen
Substitute Member	Cllr Bill Dixon

LEP Member	Paul Booth
LEP Substitute Member	David Soley

Officer	Julie Gilhespie
Substitute Officer	Mark Wilson

### **TRANSPORT FOR THE NORTH SCRUTINY PANEL**

Member	Cllr Nick Wallis
Substitute	Cllr Kevin Cranney

### **KEY CITIES**

Member	Mayor Ben Houchen
Substitute Member	Relevant TVCA Cabinet Portfolio holder as required.

### **LGA**

Member	Cllr Sue Jeffrey
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### **NORTHERN POWERHOUSE INVESTMENT FUND BOARD**

LEP Member	Paul Booth
LEP Substitute Member	David Soley

### **LEP NETWORK**

LEP Member	Paul Booth
LEP Substitute Member	David Soley

### **EAST COAST MAINLINE AUTHORITIES GROUP**

Member	Bill Dixon
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**ESIF SUB-COMMITTEE \***

Neil Schneider (Chair)	Chief Executive, Stockton Borough Council
Iain Derrick	Deputy Head ERDF 14-20 Policy and Partnership Team, MHCLG
Claire McLaughlin	ERDF Programme Manager (Performance), MHCLG
Inderjit Sanghera	ESF Senior Operations Manager, Department for Work and Pensions
Andy Tordoff	Head of Northern Region, Rural Payments Agency
Margaret Coates	Relationship Manager, Business, Energy & Industrial Strategy
Linda Edworthy	Strategy Director, Combined Authority
Shona Duncan	Heads of Skills, Education and Employment, Combined Authority
Ian Williams	Director of Economic Growth, Darlington Borough Council
Mark Ladyman	Assistant Director Regeneration Services, Redcar & Cleveland Borough Council
Denise Ogden	Director of Regeneration & Neighbourhoods, Hartlepool Borough Council
Kevin Parkes	Executive Director, Economic Development & Communities, Middlesbrough Borough Council
Richard McGuckin	Director of Economic Growth and Development, Stockton on Tees Borough Council
Simon Hanson	Policy Manager North East, Federation of Small Businesses
Rachel Anderson	Head of Policy & Representation, North East Chamber of Commerce
Nicki Clark	Chief Executive, BE Group
Steve Rose	Chief Executive Officer, Catalyst
Laura Woods	Director of the Forge and Academic Enterprise, Teesside University
Gillian Miller	Regional Director, Association of Colleges North East
Rita Lawson	Chief Officer, Tees Valley Rural Community Council

\* Constituted by DCLG as Managing Authority for EU funding. Membership is subject to review.

## **PART E – OFFICER GROUPS**

### **TEES VALLEY CHIEF EXECUTIVES**

Paul Wildsmith (Chair)	Darlington
Neil Schneider	Stockton
Gill Alexander	Hartlepool
Amanda Skelton	Redcar & Cleveland
Tony Parkinson	Middlesbrough
Julie Gilhespie	TVCA (Interim)

### **TEES VALLEY MANAGEMENT GROUP**

Ian Williams (Chair)	Darlington
Richard McGuckin	Stockton
Kevin Parkes	Middlesbrough
Mark Ladyman	Redcar & Cleveland
Denise Ogden	Hartlepool
Linda Edworthy	TVCA
Alison Fellows	TVCA
Neil Kenley	TVCA

### **CULTURE OFFICERS GROUP**

Amanda Skelton (Chair)	Redcar & Cleveland
Mark Ladyman	Redcar & Cleveland
Jenifer Allison	Redcar & Cleveland
Charlotte Nichol	Middlesbrough
Stephen Wiper	Darlington
Reuben Kench	Stockton
Denise Ogden	Hartlepool
Linda Tuttielt	TVCA
Charlie Kemp	TVCA
Chris Batstone	TVCA

### **EDUCATION, EMPLOYMENT & SKILLS OFFICERS GROUP**

Gill Alexander (Chair)	Hartlepool
Denise Ogden	Hartlepool
Ian Williams	Darlington
Richard Horniman	Middlesbrough
David Major	Redcar & Cleveland
Martin Gray	Stockton
Shona Duncan	TVCA

**LAND COMMISSION WORKING GROUP**

Neil Schneider (Chair)	Stockton
John Anderson	Darlington
Jane Edmends	Stockton
Andrew Carter	Hartlepool
Paul Clarke	Middlesbrough
Angela Brockbank	Redcar & Cleveland
Martin Waters	TVCA
Marie Kiddell	Homes England

**PART F – COMBINED AUTHORITY STATUTORY OFFICERS AND CHIEF OFFICERS**

Statutory Officer	Julie Gilhespie	Managing Director (Interim)
Statutory Officer	Julie Gilhespie	Finance Director
Statutory Officer	Andrew Nixon	Monitoring Officer
Statutory Officer	Sarah Brackenborough	Statutory Scrutiny Officer and Data Protection Officer
Chief Officer	Linda Edworthy	Strategy Director
Chief Officer	Alison Fellows	Investment Director
Chief Officer	Neil Kenley	Business Director

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## TEES VALLEY COMBINED AUTHORITY CABINET

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 12noon on  
Monday 14<sup>th</sup> May 2018**

*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><u>Members</u></b>	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Mayor David Budd	Mayor of Middlesbrough
Councillor Christopher Akers-Belcher	Leader, Hartlepool Borough Council
Councillor Bob Cook	Leader, Stockton-on-Tees Borough Council
Councillor Bill Dixon	Leader, Darlington Borough Council
Councillor Sue Jeffrey	Leader, Redcar and Cleveland Borough Council
Paul Booth	Chair, Tees Valley LEP
<b><u>Associate Members</u></b>	
Graham Robb	Member of Tees Valley LEP
Darren Hankey	Member of Tees Valley LEP
David Soley	Member of Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
<b><u>Apologies for Absence</u></b>	
Angela Howey	Member of Tees Valley LEP
Mike Matthews	Member of Tees Valley LEP
Professor Paul Croney	Member of Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
Neil Schneider	Chief Executive, Stockton-on-Tees Borough Council
Ada Burns	Chief Executive, Darlington Borough Council
Gill Alexander	Chief Executive, Hartlepool Borough Council
Amanda Skelton	Chief Executive, Redcar & Cleveland Borough Council
<b><u>Officers</u></b>	
Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Richard McGuckin	Head of Economic Growth, Stockton Borough Council
Paul Wildsmith	Director of Neighbourhood Services and Resources, Darlington Borough Council
Andrew Lewis	Managing Director, Tees Valley Combined Authority
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority
Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Julie Gilhespie	Finance Director, Tees Valley Combined Authority
Julie Prior	Legal and Commercial Manager, Tees Valley Combined Authority

<b>TVCA 79/17</b>	<b>DECLARATIONS OF INTEREST</b>  There were no declarations of interest.
<b>TVCA 80/17</b>	<b>ESTABLISHMENT OF AN AIR CONNECTIVITY FACILITY</b>  The Cabinet held a thorough discussion relating to a report seeking approval for the establishment of an Air Connectivity Facility to support links between the Tees Valley and key national and international destinations; and,  RESOLVED that: <ul style="list-style-type: none"> <li>i. The establishment of an Air Connectivity Facility on the basis outlined in the report, be approved.</li> <li>ii. An initial allocation of up to £1,000,000 of Combined Authority Funding over three years be approved; and</li> <li>iii. Operation of the Air Connectivity Facility and the finalisation of any funding or loan agreements made from the Facility, be delegated to the Mayor and the Cabinet Member for Transport, on advice from the Managing Director and the Finance Director, in line with the legal constraints and objectives set out in this report.</li> </ul>
<b>TVCA 81/17</b>	<b>RESOLUTION TO EXCLUDE THE PRESS AND PUBLIC</b>  The Mayor proposed and Cabinet agreed to pass a resolution to exclude the press and public for the duration of the first item of business, under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972, in order to allow Cabinet to consider matters of a commercially confidential nature.
<b>TVCA 82/17</b>	<b>DURHAM TEES VALLEY AIRPORT</b>  Cabinet received a verbal update on developments in relation to Tees Valley Airport; and,  RESOLVED that: <ul style="list-style-type: none"> <li>i. The verbal update was received</li> </ul>
<b>TVCA 83/17</b>	<b>DATE OF NEXT MEETING</b>  1st June 2018 (Annual General Meeting and Business Meeting)

## **AGENDA ITEM 5**

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

**1 JUNE 2018**

### **REPORT OF THE MANAGING DIRECTOR**

#### **MANAGING DIRECTOR'S UPDATE**

##### **SUMMARY**

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

##### **RECOMMENDATIONS**

For information.

##### **DETAIL**

##### **Mayor's "One Year On" Speech**

1. The Tees Valley Mayor marked one year since his election, and the creation of the Mayoral Combined Authority, through a keynote speech at AV Dawson entitled "A Record of Delivery, A Promise of More". He highlighted the decisions made by the authority over the last 12 months, and set out his views about priorities for the future. A particular emphasis was placed on initiatives to support careers education, access to finance by small business, and key infrastructure priorities in particular Darlington Station.

##### **Other Combined Authorities**

2. The one year anniversary was also marked by the other Combined Authority Mayors. Dan Jarvis was elected as Mayor for the South Yorkshire Combined Authority, and agreement was reached by members of the North East Combined Authority to enable the creation of a Mayoral Combined Authority for the North of Tyne area.

##### **Durham Tees Valley Airport**

3. On 14<sup>th</sup> May, the Combined Authority held a second Special Cabinet Meeting to discuss the future of the Airport. Detailed discussions are now underway with the current majority owner, Peel Holdings, enabled by a non-disclosure agreement. As

well as approving the creation of an Air Connectivity Facility to support proposals for new routes, Cabinet had the opportunity to review, in confidential session, the current position in the negotiations, and the financial and operational options under consideration. Further reports will be brought to Cabinet in due course.

#### **Northern Powerhouse Chemicals and Process Sector Innovation Audit**

4. An audit of the chemical and processing sector innovation ecosystem across the North of England is currently underway, led by the Tees Valley Combined Authority. The review encompasses chemical manufacturing, speciality chemicals, pharmaceutical intermediaries, formulated performance products, polymers and plastics, technical consultancies sub sectors and the associated supply chain in the economic corridor between Tees Valley, Humberside and the North West Cluster around Liverpool.
5. The Audit will inform the North's contribution to the delivery of the Strategy for Chemistry-Fuelled Growth, which aims to increase the annual contribution to the UK economy of this sector from £195 billion to £300 billion by 2030. It will investigate what networks, skills, capabilities and facilities are needed to ensure continued global competitiveness and to identify actions that the consortium can take or investment needed to increase productivity and innovation in the North. It is anticipated that the audit will be completed by June 2018, when it will inform two emerging funding streams: the Chemicals Sector Deal, and Industry Strategy Challenge Fund.

#### **Heathrow Logistics Hub**

6. South Tees Development Corporation recently hosted a delegation from Heathrow as part of the Tees Valley's bid to become a logistics hub for the airport's proposed expansion. Logistics hubs will help to make sure that businesses from across the UK can be part of the supply chain Heathrow's new third runway, and a successful bid could bring 5100 jobs to the region. During the visit representatives of the airport's expansion team toured the Development Corporation site and met with local business stakeholders; including PD Ports, Redcar Bulk Terminal and British Steel.

#### **Education, Employment and Skills Strategy**

7. "Inspiring our Future", the Strategy agreed by Cabinet in February, has now been formally launched at an event at Middlesbrough Football Club hosted by the Education, Employment and Skills Partnership Board. The Combined Authority has identified more than £100million of investment for the period from 2017 to 2021 in employment, education and skills, which the strategy will help deliver. The strategy will assist businesses in identifying and addressing current and future skills need, support innovation and collaboration in education, develop careers and enterprise education and help address long-term unemployment. Specific areas of activity will be brought forward to Cabinet as the Strategy is delivered.

### **Rugby League World Cup Bid**

8. Following Cabinet agreement to support a Tees Valley bid to host the Rugby League World Cup 2021, its Chief Executive visited the Tees Valley to deliver a presentation to business leaders on the potential economic benefits to the region of hosting part of the competition. Businesses heard how hosting matches in the Combined Authority area could boost the local economy by £8million. The bid is now being taken forward by a range of partners from the public and private sectors.

### **Local Content Working Group**

9. The combined authority is taking forward work to maximise the local benefits of spend and investment in the Tees Valley. Cabinet agreed to establish a working group, which will initially examine the extent of existing local content; develop a baseline and targets for improvement; and support the development of initiatives to increase local impact. This work is key to our ambitions to maximise the local value of regional investment and procurement decisions alongside the traditional cost and quality weightings, with the Combined Authority leveraging our relationship with businesses to develop a menu of local impact standards such as local labour sourcing, local supply chain initiatives, reducing CO<sub>2</sub> emissions, recycling and renewable energy sources, apprenticeships and schools outreach.
10. The group is expected to meet for the first time in June, chaired by Board members David Solely and Cllr Sue Jeffrey. A survey for businesses and public bodies is currently being developed, with a view to returns being received and analysis of results taking place over the summer.

### **Free Ports**

11. Work continues to develop and promote the proposal for the Tees to become a Free Port (or Free Zone), post-Brexit. A unique set of circumstances exists in the region, which make it an ideal location to test the potential of Free Zones nationally. A technical workshop took place in May, involving industry experts and academics to progress our thinking and set the scope for more detailed research; covering areas such as the legal and customs framework, financial incentives and trade-enabling technology. As a next stage, we will develop a package of measures which would offer benefits to export-orientated businesses locating on the Tees, focused particularly on the South Tees site. We remain in close touch with the Treasury, who are also interested in exploring new ideas to facilitate trade and promote local economic growth through the Free Zone concept.

### **East Coast Mainline**

12. In the light of developments with the East Coast Rail franchise, discussions are underway to step up collaboration between the local and combined authorities along the route of the East Coast Main Line, to lobby for investment and establish common priorities. The Tees Valley Combined Authority is a member of the East Coast Mainline Authorities Group, chaired by the Leader of York City Council, which will

now be more formally constituted and resourced. The Group will also support a new All Party Parliamentary Group on the East Coast Mainline.

### **FINANCIAL IMPLICATIONS**

13. There are no financial implications to this report.

### **LEGAL IMPLICATIONS**

14. There are no legal implications to this report.

### **RISK ASSESSMENT**

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

**Name of Contact Officer: Andrew Lewis**  
**Post Title: Managing Director**  
**Telephone No: 01642 527 091**  
**Email Address: [andrew.lewis@teesvalley-ca.gov.uk](mailto:andrew.lewis@teesvalley-ca.gov.uk)**

## **AGENDA ITEM 5**

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

**1<sup>st</sup> JUNE 2018**

#### **REPORT OF INTERIM MANAGING DIRECTOR**

### **SUPPLEMENTAL REPORT – SOUTH TEES SITE DEVELOPMENTS**

#### **SUMMARY**

This note is a supplement to the Managing Director's report to Cabinet, to outline the latest position on negotiations with the Thai Banks who hold a charge against the assets of SSI in liquidation. These discussions form a necessary element of the transfer of the South Tees Development Corporation site to local ownership and control, and thereby to secure the substantial future opportunities set out on the Masterplan.

#### **RECOMMENDATIONS**

For information only.

#### **DETAIL**

1. A delegation consisting of the Mayor (as Chair of STDC), Cllr Sue Jeffrey and Steve Gibson (Vice-Chairs), Paul Booth (LEP Chair) and Jonathan Bretherton (CEO of STDC) held meetings with Krung Thai Bank Public Company Limited, the Siam Commercial Bank Public Company Limited and TISCO Bank Public Company Limited in Bangkok on 23<sup>rd</sup>-24<sup>th</sup> May. The discussions were supported by the British Embassy, and took place with the support of the UK and Thai governments.
2. As a result of these positive discussions, agreement was reached in principle on a deal to release the Thai Banks' charge against the assets of SSI, and thereby to enable the transfer of the land to local ownership. It is now expected that this process will conclude later in the year.
3. A formal decision will now be brought forward to the South Tees Development Corporation Board. Since this amounts to a "referral decision" under the terms of the STDC constitution, it will then come forward to ratification by the Combined Authority Cabinet; either at a scheduled meeting, or through a separately convened Special Cabinet meeting. The financial case to be presented to the Board and Cabinet will meet the requirement for value for money from public funds, with costs incurred by the STDC being met by the value of the assets transferred. Further detail will be provided to Cabinet at the point the formal decision is brought forward.

4. A further milestone was also passed this week, as Redcar and Cleveland Council approved its Local Plan, incorporating the South Tees supplemental planning document which gives statutory effect to the STDC masterplan.
5. Cabinet will also receive an update on discussions with government on the transition plan for the transfer of national government's responsibilities for the site to local control, alongside a further financial settlement to meet additional liabilities.
6. Taken together, these developments represent a significant step forward for the Tees Valley's ambitions for the South Tees site. Further reports will be made to Cabinet in due course.

**Name of Contact Officer: Julie Gilhespie**  
**Post Title: Interim Managing Director / Finance Director**  
**Telephone Number: 01642 528834**  
**Email Address: Julie.gilhespie@teesvalley-ca.gov.uk**

## **AGENDA ITEM 6**

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

**1<sup>st</sup> June 2018**

### **REPORT OF HEAD OF EDUCATION, EMPLOYMENT & SKILLS**

### **PORTFOLIO: EDUCATION, EMPLOYMENT & SKILLS**

## **ADULT EDUCATION BUDGET (AEB)**

### **SUMMARY**

This paper sets out the process required to confirm devolution of the Adult Education Budget to Tees Valley Combined Authority from academic year 2019/20.

This includes approval for the laying of a Parliamentary Order by the Secretary of State for Education to enable the necessary changes to secondary legislation.

### **RECOMMENDATIONS**

It is recommended that Cabinet:

- i. Approves the laying of the Parliamentary Order for the devolution of the Adult Education Budget to Tees Valley Combined Authority;
- ii. Notes that approval is also required from the individual constituent councils;
- iii. Notes the progress being made for implementation of the devolved funding;
- iv. Notes the intention to return to Cabinet in July with a proposal for effective and inclusive operational decision making; and
- v. Delegates the immediate operational arrangements to meet the Department of Education readiness conditions to the Combined Authority Managing Director and Finance Director, in consultation with the Elected Mayor and the Cabinet Portfolio Lead.

### **DETAIL**

#### **Parliamentary Order process**

1. The primary legislation that established Combined Authorities made provision to enable local commissioning of outcomes to be achieved from the 19+ adult skills budget.

2. The Devolution Deal agreed with Government in 2015 included the commitment that: “The Government will enable local commissioning of outcomes to be achieved from the 19+ adult skills budget starting in academic year 2016/17; and will fully devolve budgets to Tees Valley Combined Authority from academic year 2018/19 (subject to readiness conditions). These arrangements do not cover apprenticeships.”
3. In the intervening period joint working with the Department of Education and the Combined Authority has taken place. Early in 2017 the Department of Education confirmed that devolution would be delayed for a year to August 2019. 2018/19 would be considered a transition year to prepare for full devolution in 2019 and to ensure commissioned activity could be in place for the academic year 2019/20.
4. In November 2017 Cabinet approved arrangements to continue joint working with the Department of Education and the Education Skills Funding Agency during the transition year 2018/19 to prepare for full devolution in August 2019.
5. In order to enable full devolution of this budget a Parliamentary Order must now be placed before Parliament. We have now received confirmation that the Order granting the Combined Authority devolution of the Adult Education Budget will be placed before Parliament in July 2018.
6. The draft Regulations are not publicly available as they have not been cleared by JCSI Counsel (the lawyers that support the Parliamentary Committees, and who offer a service of pre-legislative scrutiny). However, it is anticipated that, like previous similar legislation, the Order will be very short and merely confirm the devolution of the adult skills budget. On that basis, it seems unlikely there will be any concern in terms of the actual drafting of the proposed legislation, the main consideration being the principle of devolving the 19+ adult skills budget to the Combined Authority.
7. The Combined Authority is required to give consent to the final Order. The five Tees Valley constituent authorities will also be separately approached by the Secretary of State for their consent to the Order.

### **Benefits of devolution of this budget**

8. The benefits of devolution for Tees Valley and the Combined Authority include enabling greater flexibility and responsiveness to demand for skills from both employers and learners. As 37% of businesses continue to state that skills are their biggest challenge in achieving economic growth, devolution of Adult Education will contribute to addressing their concerns.
9. Over 200 training providers currently provide training to Tees Valley residents. Devolution will enable local decisions to be made regarding allocation of funding to providers that are committed to delivering high quality training in Tees Valley. Taking decisions at a Tees Valley geography will enable us to support the sustainability of the Tees Valley Further Education and independent training providers that demonstrate a track record of delivering high quality training and skills directly linked to Tees Valley business needs. Flexibility will be incorporated for niche and specialist training not provided in Tees Valley.
10. There is also significant concern about the 10% of working age residents that do not have any qualifications and therefore struggle to gain work. Devolution will enable greater targeting to raise qualification levels of the future workforce.

11. Devolution will enable greater control of the budget to:
  - a. Implement simpler commissioning processes for providers, thus enabling more funding to be directed to learning programmes
  - b. Implement payment models directly related to outcome achievement, including jobs
  - c. Enable more flexible approaches to funding awards, including lengthening the contract period
  - d. Introduce more flexible eligibility criteria for learners
  - e. Create a skills funding system that rewards progression in learning
  - f. Directly align adult (post 19) education to post 16 learning route ways that will improve transition and progression for young people.
12. Devolving this element of the skills system to the Tees Valley will demonstrate the potential to achieve greater success in aligning skills provision directly to future economic demand. This improved performance will provide evidence for future requests for additional skills devolution.

### **Adult Education Budget**

13. The Adult Education Budget is an element of national skills funding that is provided to equip adults over the age of 19 with the skills and learning they need for work, apprenticeships or further learning. This includes provision for statutory elements such as a first full level 2 (equivalent to 5 GCSEs A-C), maths and English qualifications.
14. The budget includes provision for formal learning and qualifications primarily delivered by Further Education Colleges, community learning primarily delivered by Council Adult Learning services, a small element of vocational learning in Sixth Forms and a wide range of learning provided by independent training providers.
15. The Adult Education Budget is currently administered by the Education and Skills Funding Agency (ESFA). Tees Valley, and other devolution areas, sought full devolution of this funding in order to raise local skill levels, promote reform and improved performance and strengthen the links between training and local job opportunities.
16. Full devolution of this budget is offered for academic year 2019/20 which will enable the Combined Authority to allocate funding directly to training providers, determine the outcomes to be achieved and manage performance of these providers.
17. A funding formula for calculating the size of the grant to combined authorities will be used that is based upon the number of residents currently accessing training funded from this source. An indicative budget of £30.5m p.a. has been suggested by the Department for planning purposes. It is likely that this figure will reduce slightly, and is subject to confirmation in the Autumn Statement.

### **Progress**

18. Close working with the Department of Education and the Education Skills Funding Agency is well underway in preparation for assuring our readiness for devolution. Our focus to date has been on Governance assurance, financial controls, contracting processes, payment modelling, funding policy, data collection, and provider management.

19. A Steering Group, consisting of the Further Education Colleges, Councils' Adult Education services, the Association of Colleges, the Education and Skills Funding Agency and the Combined Authority has been in place for over a year and has informed the options for improving the skills system through devolution of the Adult Education Budget. Progress updates have been provided to the Education, Employment and Skills Partnership Board.
20. In order to prepare for directly contracting skills providers early in 2019 we are now required to consider, and soon confirm, our operational policies for funding allocation and contracting arrangements.

### **Future Governance**

21. The Steering Group will continue to meet to inform the decisions to be made. Their advice will be reported to the Education, Employment and Skills Board. In order to ensure that there is a robust, open, transparent and objective process for allocation of funding to skills providers we are considering the best governance for Tees Valley, Recommendations for appropriate governance will be brought forward for consideration by Cabinet in July.
22. Further reports will be brought forward to Cabinet as progress is made in preparing for devolution.
23. To ensure the smooth transition of the devolved arrangements, it is proposed to delegate the immediate operational arrangements of working with the Department of Education to meet the readiness conditions to the Combined Authority Managing Director and the Finance Director. This role will be undertaken in consultation with the Elected Mayor and the Cabinet Portfolio Lead.

### **FINANCIAL IMPLICATIONS**

24. Once enacted, the legislation will transfer full financial devolution of the Adult Education Budget to the Combined Authority from August 2019. The current indicative budget is £30.5 million per year.
25. Management costs and operational costs will be covered from this allocation.
26. Allocation of contracts will be within the budget devolved.

### **LEGAL IMPLICATIONS**

27. Approval to this recommendation, and from individual constituent authorities, will allow Government to seek Parliamentary approval for the secondary legislation. Legal advice is being sought on how best to manage the procurement and contractual issues relating to the devolution of the Adult Education Budget to Tees Valley Combined Authority.

### **RISK ASSESSMENT**

28. This laying of the Order to Parliament is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## CONSULTATION

29. Formal consultation for laying the Parliamentary Order is not necessary. Adult Education Budget devolution has been considered at Cabinet in November 2017, discussions have been undertaken with Chief Executives, the Education, Employment and Skills Partnership Board, the Programme Steering Group and the Local Authority Education, Employment and Skills Officer Group. The Steering Group members include Local Authorities, Colleges of Further Education, Education and Skills Funding Agency and the Association of Colleges.

**Name of Contact Officer:** Shona Duncan

**Post Title:** Head of Skills, Education and Employment

**Telephone Number:** 01642 528832

**Email Address:** shona.duncan@teesvalley-ca.gov.uk

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## **AGENDA ITEM 7**

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

**1 JUNE 2018**

#### **Report of the Head of Education, Employment and Skills**

#### **Portfolio: Education, Employment and Skills**

### **TEES VALLEY CAREERS & ENTERPRISE INITIATIVE**

#### **SUMMARY**

This report presents the plans to implement from September 2018 an ambitious new approach to Careers Education in Tees Valley and the associated investment required. This programme will provide more effective, informed and high quality Careers and Enterprise education in all educational establishments, including primary schools, Special Educational Needs and Disability Schools (SEND), Pupil Referral Units, Secondary Schools, Sixth Form Colleges and Further Education Colleges to include all young people in Tees Valley.

#### **RECOMMENDATIONS**

It is recommended that Cabinet:

- i. Notes the progress made on developing the Tees Valley Careers and Enterprise Initiative within the allocation of £3 million from the Investment Fund as indicated in the Education, Employment and Skills strategy launched in April 2018,
- ii. Approves the investment of this funding on the basis set out in this paper; subject to further development of specific items for delivery by a Careers work stream group whose membership will be Schools, Employers and Local Authorities. This group will report directly to the Education, Employment and Skills Partnership Board, and
- iii. Agrees that the Operating Model for implementation will be reported to Cabinet at a future meeting.

#### **DETAIL**

##### **Education, Employment and Skills Strategy**

1. In 2017 the Education, Employment and Skills Partnership Board members led on the review of the education, employment and skills agenda and the development of the Education, Employment and Skills Strategy: Inspiring our Future. Extensive consultation has taken place through partnership events and direct school and young people engagement. This strategy was approved by cabinet in February 2018.

2. Within the strategy, Careers Education was highlighted as a critical area for change and as a result, the Board will establish a Careers work stream to further develop the detailed delivery required, implement the associated activities and monitor performance regarding careers education in Tees Valley. This work stream will ensure that the specific employer engagement activities and approach to monitoring will be led by school head teachers or their appointed senior career leaders.
3. Cabinet and the Education, Employment and Skills Partnership Board agreed that the focus of the Combined Authority's contribution to careers education should align with and add value, not duplicate the schools statutory responsibilities of providing Careers guidance to every key stage 3 and 4 pupil, often carried out by Council teams.
4. The strategy states that this new initiative would better align careers and enterprise education in schools to business needs and improve the experiences of young people to ensure they are better informed and prepared for work. The aim would be to engage 1000 businesses in careers education across all schools and from Key Stage 2, age 7 upwards.
5. Businesses would be engaged to both shape careers education and engage directly with young people from Key Stage 2 and will contribute to the aim of all 11-18 year olds receiving at least seven meaningful employer engagements to assist their career decision making. Targeting of businesses from the priority sectors highlighted in the Strategic Economic Plan and high demand sectors for replacement jobs will be undertaken to ensure careers education is linked directly to future workforce demand in Tees Valley.
6. The strategy also endorses that the initiative would engage every school and college in Tees Valley. It is recognised that this is a significant challenge given the range of institution type and scale in terms of numbers of institutions. The work stream group will further develop the detail for implementation during the summer term and will aim to commence activity in schools from September 2018. It is anticipated that due to existing provision that could be expanded the initial activity will focus upon young people aged 11-18 but be quickly rolled out as soon as practical to all ages. There are currently 204 primary schools, 43 secondary schools, 4 sixth form colleges, 8 Special Educational Need and Disabilities Schools, 5 Pupil Referral Units, 5 General Further Education colleges and one specialist Art and Design college in Tees Valley.
7. The strategy development and consultation process concluded that there are many challenges within Careers Education that require addressing and that a Tees Valley wide approach should be developed. The challenges include the mixed volume and quality of careers education and the lack of objectivity, e.g. some learning establishments do not promote external institutions or apprenticeships as an option at 16. The poor quality of labour market information available also requires attention to ensure it is up to date, relevant and accessible.

#### **Current feedback from Schools**

8. Consultation through engagement with schools via the careers workshop held on 23<sup>rd</sup> April, that was attended by secondary and primary schools, including SEND

schools, businesses, Local Authorities and external stakeholders and direct contact with schools via the Enterprise Advisor Network has shaped the proposals for implementation.

9. Schools have reported that they find the expectations of them and the wide range of services available to support them to deliver careers education as confusing. Whilst many schools do commit to delivering a range of careers services bought in from national and local providers, it is unclear as to how to relate these to the expectations from the Department of Education and evidence their contribution to improved decision making.
10. Secondary Schools also report that due to the various constraints they face they focus upon specific year groups as they plan to consider their options for post 16 and that the service they provide is not embedded into the wider curriculum, nor fully evaluated or monitored to consider the impact it has on young people's destinations.
11. The current offer of careers education for young people prior to leaving school is not aligned to the adult national Careers Education Service provided by CfBT and adults also inform us that they are unaware of the opportunities available and feel unprepared for the world of work.
12. Primary Schools report that they wish to deliver more careers education but have limited capacity to develop a careers education programme and cannot engage enough or appropriate employers to support this work.

### **Future Careers Education in all Tees Valley schools**

13. Delivery will focus upon increasing employer engagement that will support primary and secondary schools to provide relevant careers information and industry related advice to children and young people. The approach will target those schools that most require assistance and guidance in developing an effective careers delivery programme. There will also be targeting of schools that have highest levels of disadvantage including numbers of pupils on Free School Meals and pupil attainment at GCSE and A-Level, particularly related to Maths, Science and English.
14. The national Careers Education Strategy states that "those pupils with four or more interactions with employers are 86% less likely to be unemployed and can earn up to 22% more during their careers". Increasing improved employer engagement will support the Tees Valley Young Persons pledge to provide at least seven meaningful engagements with employers from private, public and voluntary sector. Monitoring and evaluation will be an integral part of this work to ensure that better outcomes are achieved for young people and inform future improvement as appropriate.
15. Much of the detail developed to shape the new Careers initiative is built upon the good work already in place across Tees Valley, including the Transforming Tees Careers Pilot. The final programme will be developed to build upon the Careers guidance programmes being delivered by Local Authorities and existing programmes including the Redcar and Cleveland Council's Foundation for Jobs

Young person's entitlement, Hartlepool Council's Youth Investment programme and Darlington Borough Council's Foundation for Jobs. Subject to appropriate due diligence it is anticipated that existing services could be supported and further developed as we roll out the initiative. In addition there are a number of widely accepted good models of delivery by external providers, including High Tide, Jacobs and British Steel cadetships and Inspire 2 Learn that will also be considered for extension. The programme will create a progressive and developmental careers and enterprise function that supports creativity, enterprise and personal development skills.

16. The implementation of a comprehensive careers initiative in schools will also support schools to achieve Ofsted grading for careers interventions and improve pupil destinations. The programme whilst supporting schools to respond to Ofsted's assessment it is developed to go further and respond to local school, pupil and business demands.
17. Alongside this the programme of activity will demonstrate how schools achieve the Gatsby careers benchmarks. Gatsby benchmarks are nationally endorsed as the key elements to deliver good careers education. In the Department of Education's National Careers Strategy, launched in December 2017 and recently published school guidance it is clear that there is an expectation on schools to deliver these benchmarks and they will be assessed against their ability to do so.
18. There are eight Gatsby benchmarks including delivering a stable careers programme that addresses the needs of each pupil, learning from career and labour market information, linking curriculum learning to careers, delivering encounters and experiences of employers and their workplaces, ensuring information is provided regarding Further and Higher Education options and providing personal guidance.
19. There is an expectation that in order to develop good careers education programme all schools should have an identified leader of careers education as part of their Senior Leadership Team. As part of the national careers strategy this includes that secondary schools should create this role to ensure curriculum areas embed careers education into their subject area. In order to support Primary and other school institutions the programme will develop solutions to assist all schools to have this leadership function.

### **Proposal for implementation**

20. It is proposed to set five key areas of activity that will support the introduction of new activities in schools from September 2018. This will create the resource to start implementing the support to schools, engage more employers, improve labour market information and provide the leadership via the careers workstream group to develop further the specific items and activities to be implemented in schools from September 2018.

21. The initiative will have five constituent parts:

#### **21.1 Extend the Tees Valley Enterprise Adviser Network to all schools and colleges in Tees Valley**

The Enterprise Adviser Network programme provides support to connect local businesses with schools and colleges across the Tees Valley. Enterprise Advisers are senior employees who volunteer from local businesses. The Enterprise Adviser role works at a strategic level with the school/ college's Senior Leadership Team to devise and implement an inclusive and consistent careers strategy for all students. Advisors support and enhance existing activities, ensure that the schools are aware of additional support available and identify what additional support the school requires to deliver improved careers education.

The Enterprise Adviser role is less focused on direct delivery to students but focuses to ensure that the schools/ colleges are providing sufficient opportunities for young people to be exposed to the world of work.

This approach will be extended to all schools, including primary schools, Special Educational Needs schools and Pupil Referral Units. As a result of this work every educational establishment will be able to evidence their strategic approach to careers education against both the Gatsby careers benchmarks and the Tees Valley Careers Framework.

### **21.2 Tees Valley Schools Draft Careers Framework (example attached at Annex 1 for Key stages 3 and 4)**

The Tees Valley Careers Framework provides the guidance and infrastructure to help schools to offer and deliver a consistent, coordinated and impartial Careers Education offer for every young person.

The Framework maps out key activities/ interventions that could take place in each year group. Each of the activities is mapped against the nationally accepted Gatsby Careers Benchmarks and identifies the activities to deliver the schools statutory duty on providing careers guidance. Embedding the framework will enable schools to apply for a quality careers kite mark award.

The framework currently includes the requirements for engagement with students from Year 7 and is focused on ensuring that students have meaningful encounters with the world of work and are informed and prepared for key transitions at ages 11 and 16.

Work is currently being undertaken and will be developed further with the work stream group and primary schools to develop an appropriate Framework for Key stage 2.

Further work will also be carried out with post 16 education providers and adult services to develop a similar approach.

Careers Advisors will work with the Schools senior leadership teams to identify where the school requires additional support to successfully deliver the framework and the recommended activities.

### **21.3 Tees Valley Young Persons Careers Pledge**

The pledge ensures that all Tees Valley young people will have access to the same opportunities regardless of where they live or the education establishment that they attend. The young person's pledge will present what young people and their parents/ carers can expect to experience by the age of 16.

The pledge will include:

- At least 7 meaningful and progressive contacts with employers to showcase the world of work.
- Open access to information and tools to find out where job vacancies are; learn about employment sectors that are growing and what jobs are available locally.
- Opportunity to attend at least one externally organised fair/workshop per academic year that highlights skills needed for the workplace (such as: Tees Valley Skills Event; North East Skills Show; Global Entrepreneurs' Week or a Local Authority organised Careers Event).
- Objective information and guidance about the range of both work and school/college based learning, apprenticeships and study opportunities available to them after Year 11.
- Assistance to complete a Curriculum Vitae and application forms, and take part in at least two mock interviews.

#### **21.4 Provide a menu of activity to deliver the Framework and Pledge.**

In order to deliver a high quality, consistent and improved Careers Education programme across Tees Valley a range of activities, events and resources will be made available to schools, young people and their parents/carers with a key focus on positive, progressive and meaningful encounters with employers from all sectors. These will include activities to gain experiences in the workplace, curriculum linked careers learning and projects set with business to encourage enterprise and entrepreneurship.

Alongside engaging more employers, support will be provided to schools to manage the greater engagement of employers in specific activities, to audit and improve the impact of these by measuring pupil's achievements and feedback, and develop long term, developmental relationships with employers.

#### **21.5 Develop a standalone website linked to the Combined Authority's website**

A standalone website, [TeesValleyCareers.com](http://TeesValleyCareers.com) will be linked to the Combined Authority's main website and will provide better information regarding careers education and a more responsive approach to engaging key stakeholders, including employers. The website will also ensure that information and activities are made available to all young people in Tees Valley.

These functions and content will:

- Provide a point of contact for new enquiries from all stakeholders, including new employers
- Co-ordinate and showcase activities and career opportunities available to young people, parents/ guardians and practitioners within the Tees Valley
- Provide an easily accessible enquiry route for employers, education establishments and individuals
- Host Tees Valley live apprenticeship vacancies.
- Host the 'Tees Valley Careers Toolkit of self-serve resources for pupils, teachers, careers advisors and employers.

## **FINANCIAL IMPLICATIONS**

<b>Activity</b>	<b>How</b>	<b>Cost p.a.</b>	<b>Outcomes</b>
1.A Tees Valley Enterprise Adviser Network	a. Officer Coordination 3 Enterprise Coordinators directly linked to CEC programme	50% match funding from Careers Education Company to 2020 -cost £75k Combined Authority contribution £75K Potential extension 2020-21 full cost to TVCA <b>£150k</b>	Every secondary school and college in Tees Valley will have a matched Enterprise Adviser
1.B	b. Additional officer coordination to extend advisor network to Primary schools, deliver framework, engage employers and develop menu of activities  Officer coordination (3) additional officers	<b>£150k</b>	Every educational establishment in Tees Valley will have support from an Enterprise Adviser
2. Implement the Careers framework in schools	Provide school support to implement framework  This will fund schools to implement framework	<b>£200k</b>	All schools adopting Framework activities
3. Deliver the young person's careers pledge	Develop employer engagement encounters, events, tools and resources directly linked to pledge activities  This will include externally commissioned services	<b>£500k</b>	Better quality tools and resources accessed by more schools, young people and their mentors.  Information easily accessible and relevant to decision making requirements of young people and adults
4. Develop a menu of activity for employers for the Framework and Pledge	Create employer database, marketing approach to engage new employers	Included in 1b and 3	A clear menu of activity accessed by employers, educational establishments and pupils
5. Develop careers element of the Combined Authorities website	Review existing content and develop further content	Included in 1b	Website provides a range of information and learning resources and an effective enquiry platform for stakeholder engagement

22. The finance allocated to this pilot is across three financial years and is within the medium term investment plan.
23. There are staffing costs for the Combined Authority, these will be kept to a minimum and will be delivered within the budget allocation for this programme. Recruitment of new posts will be in line with the budget allocation.

## **LEGAL IMPLICATIONS**

24. There are no specific legal implications within this proposal other than those included when externally commissioning activity via typical grant award agreements.

## **RISK ASSESSMENT**

25. This allocation of the Investment Fund to the Tees Valley Careers Initiative is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **CONSULTATION**

26. No formal stakeholder consultation is required for this item. Consultation and engagement has been with the Education, Employment and Skills Partnership Board, Local Authority Education, Employment and Skills Officers group and a partner Careers workshop held on the 23 April.
27. Consultation has also taken place with young people through a series of focus groups with students in years 7-13 from a variety of Tees Valley educational establishments.

**Name of Contact Officer:** Shona Duncan

**Post Title:** Head of Education, Employment and Skills

**Telephone Number:** 01642 528832

**Email Address:** [shona.duncan@teesvalley-ca.gov.uk](mailto:shona.duncan@teesvalley-ca.gov.uk)

Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<b>Key Stage 3</b>		
*GB- Gatsby Benchmark		
<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>
Essential	Essential	Essential
<ul style="list-style-type: none"> <li>➤ A visible and stable Careers Programme known by all pupils, parents and teachers at all levels, governors and employers. This will be available from the school website and general school literature. <b>(GB1)</b></li>   <li>➤ Activities to enable students to be able to identify the skills needed and valued in the workplace as well as able to give examples of when these skills are being used e.g.               <ul style="list-style-type: none"> <li>• problem-solving skills</li> <li>• communication skills</li> <li>• leadership skills</li> <li>• teamwork skills</li> <li>• negotiation skills</li> <li>• presentation skills</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ A visible and stable Careers Programme known by all pupils, parents and teachers at all levels, governors and employers. This will be available from the school website and general school literature. <b>(GB1)</b></li>   <li>➤ Access to comprehensive and impartial careers and options resources. <b>(GB2) (GB3)</b></li>   <li>➤ Pre option choice talks and visits on career routes and destinations e.g. within specific industries, occupational areas, including speakers' activities to enrich the learning experience and subjects. <i>(If</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ A visible and stable Careers Programme known by all pupils, parents and teachers at all levels, governors and employers. This will be available from the school website and general school literature. <b>(GB1)</b></li>   <li>➤ Access to comprehensive and impartial careers and options resources. <b>(GB2) (GB3)</b></li>   <li>➤ Pre option choice talks and visits on career routes and destinations e.g. within specific industries, occupational areas, including speakers' activities to enrich the learning experience and subjects. <i>(If</i></li> </ul>

Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<ul style="list-style-type: none"> <li>• organisation skills</li> <li>• decision making skills</li> <li>• time management</li> <li>• positive attitude</li> </ul> <p><b>(GB2) (GB3)</b></p> <ul style="list-style-type: none"> <li>➤ Global Entrepreneurship Week and/or Enterprise Activities/ Competitions that cover: financial literacy and business awareness e.g. business enterprise challenges a business plan development, branding/ marketing. <b>(GB2) (GB3) (GB4) (GB5) (GB6)</b></li> <li>➤ Students and Parents to have access to labour market intelligence/information resources for assessing labour market trends including salaries, competition for jobs and career opportunities. <b>(GB2) (GB3)</b></li> <li>➤ Create opportunities to learn about what work is like or what it takes to be successful in the workplace with employer/employee encounters e.g. guest speakers, workplace visits/ site</li> </ul>	<p><i>applicable</i>) <b>(GB2) (GB3) (GB5) (GB6) (GB8)</b></p> <ul style="list-style-type: none"> <li>➤ Option choices e.g. a range of planned support for subject choices and career decision-making. <i>(If applicable)</i>) <b>(GB3)(GB8)</b></li> <li>➤ Global Entrepreneurship Week and/or Enterprise Activities/ Competitions that cover: financial literacy and business awareness e.g. business enterprise challenges a business plan development, branding/ marketing. <b>(GB2) (GB3) (GB4) (GB5) (GB6)</b></li> <li>➤ Create opportunities to learn about what work is like or what it takes to be successful in the workplace with employer/employee encounters e.g. guest speakers, workplace visits/ site tours etc/ video resources <b>(GB5) (GB6)</b></li> <li>➤ Students and Parents to have access to labour market</li> </ul>	<p><i>applicable</i>) <b>(GB2) (GB3) (GB5) (GB6) (GB8)</b></p> <ul style="list-style-type: none"> <li>➤ Option choices e.g. a range of planned support for subject choices and career decision-making. <i>(If applicable)</i>) <b>(GB3)(GB8)</b></li> <li>➤ Global Entrepreneurship Week and/or Enterprise Activities/ Competitions that cover: financial literacy and business awareness e.g. business enterprise challenges a business plan development, branding/ marketing. <b>(GB2) (GB3) (GB4) (GB5) (GB6)</b></li> <li>➤ Students and Parents to have access to labour market intelligence/information resources for assessing labour market trends including salaries, competition for jobs and career opportunities. <b>(GB2) (GB3)</b></li> <li>➤ Personal guidance e.g. contact with /access to an impartial and qualified careers adviser/ conversations with</li> </ul>
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Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<p>tours etc/ video resources. <b>(GB5) (GB6)</b></p> <ul style="list-style-type: none"> <li>➤ Linking curriculum learning with careers. Subject specific career–related learning activities for students e.g. visit to a place of work; presentation by sector specific organisations whose businesses is focused on Maths, Science, Creative &amp; Digital etc. <b>(GB4) (GB5) (GB6)</b></li> <li>➤ Access to comprehensive and impartial careers and options resources. <b>(GB2) (GB3)</b></li> <li>➤ Students to have access to resources and activities so they can develop an ability to identify stereotyping and discrimination and an understanding of how this can be damaging to the careers aspirations individual and those around them. <b>(GB3)</b></li> </ul>	<p>intelligence/information resources for assessing labour market trends including salaries, competition for jobs and career opportunities. <b>(GB2) (GB3)</b></p> <ul style="list-style-type: none"> <li>➤ At the end of Yr 8 a Mock interview with teachers, careers specialists including mentors, advisers, coaches, and enterprise advisers to begin to make students aware of interview experiences.<b>(GB2) (GB3) (GB5)</b></li> <li>➤ Linking curriculum learning with careers. Subject specific career–related learning activities for students e.g. visit to a place of work; presentation by sector specific organisations whose businesses is focused on Maths, Science, Creative &amp; Digital etc. <b>(GB4) (GB5) (GB6)</b></li> <li>➤ Students to have access to resources and activities so they can develop an ability to identify stereotyping and discrimination and an understanding of how this can be damaging to the</li> </ul>	<p>employers, employees. Students are aware of where to get help with career /option choices. <b>(GB2) (GB3) (GB8)</b></p> <ul style="list-style-type: none"> <li>➤ Attend Skills Shows or Careers Fair e.g. <ul style="list-style-type: none"> <li>• Tees Valley Skills Event</li> <li>• Tees Valley Big Bang</li> <li>• North East Skills Show</li> <li>• LA area Careers Events <b>(GB3) (GB5) (GB7) (GB8)</b></li> </ul> </li> <li>➤ Create opportunities to learn about what work is like or what it takes to be successful in the workplace with employer/employee encounters e.g. guest speakers, workplace visits/ site tours/ video resources. <b>(GB5) (GB6)</b></li> <li>➤ Contact with industry experts e.g. mentoring, confidence building, learning about work opportunities, talking about self and their Curriculum Vitae (CV) supported work experience such as a cadetship programmes or school community project. <b>(GB4) (GB5)</b></li> </ul>
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Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

	<p>careers aspirations individual and those around them. <b>(GB3)</b></p>	<ul style="list-style-type: none"><li>➤ Linking curriculum learning with careers. Subject specific career-related learning activities for students e.g. visit to a place of work; presentation by sector specific organisations whose businesses is focused on Maths, Science, Creative &amp; Digital etc. <b>(GB4) (GB5) (GB6)</b></li><li>➤ Parents Evening: Option Choice with representatives from providers and careers specialists.) <b>(GB3) (GB7)</b></li><li>➤ Work with local primary schools to provide a works experience mentoring opportunity for secondary students, to help with the development and use of employability skills. This will also act as a positive transition activity for KS2 pupils. <b>(GB5) (GB6)</b></li><li>➤ Contact with young ambassadors e.g. alumni from universities, colleges, sixth form, special schools and colleges, apprentices/trainees/ supported interns, employees,</li></ul>
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Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

		<p>entrepreneurs sharing their career stories. <b>(GB5) (GB7)</b></p> <ul style="list-style-type: none"> <li>➤ Students to have access to resources and activities so they can develop an ability to identify stereotyping and discrimination and an understanding of how this can be damaging to the careers aspirations individual and those around them. <b>(GB3)</b></li> <li>➤ Achieve a Recognition Award e.g. School Award, Duke of Edinburgh Award, Warwick Enterprise Award etc. <b>(GB3) (GB5) (GB6)</b></li> </ul>
Desirable	Desirable	Desirable
<ul style="list-style-type: none"> <li>➤ Parents Evening: Career Choice with representatives from providers and careers specialists. <b>(GB3) (GB7)</b></li> <li>➤ Contact with young ambassadors e.g. alumni from universities, colleges, sixth form, special schools and colleges, apprentices/trainees/</li> </ul>	<ul style="list-style-type: none"> <li>➤ Parents Evening: Career Choice with representatives from providers and careers specialists <b>(GB3) (GB7)</b></li> <li>➤ Work with local primary schools to provide a works experience mentoring opportunity for secondary students, to help with the development and use of</li> </ul>	

Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<p>employees, entrepreneurs sharing their career stories. <b>(GB5) (GB7)</b></p>	<p>employability skills. This will also act as a positive transition activity for KS2 pupils. <b>(GB5) (GB6)</b></p> <p>➤ Contact with young ambassadors e.g. alumni from; universities, colleges, sixth form, special schools and colleges. Apprentices, employees, entrepreneurs sharing their career stories. <b>(GB5) (GB7)</b></p>	
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Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<b>Key Stage 4</b>	
<b>Year 10</b>	<b>Year 11</b>
Essential	Essential
<ul style="list-style-type: none"> <li>➤ A visible and stable Careers Programme known by all pupils, parents and teachers at all levels, governors and employers. This will be available from the school website and general school literature. <b>(GB1)</b></li>   <li>➤ Personal guidance e.g. contact with an impartial and qualified careers adviser/ conversations with employers, employees. Students are aware of where to get help with career /option choices. <b>(GB2) (GB3) (GB8)</b></li>   <li>➤ Option choices e.g. a range of planned support for career destination routes. This may include assemblies, talks or projects to promote all progression route options available post 16 and how to access these progression routes. <b>(GB2) (GB3) (GB7) (GB8)</b></li>   <li>➤ Students and Parents to have access to labour market intelligence/information e.g. use of resources for assessing</li> </ul>	<ul style="list-style-type: none"> <li>➤ A visible and stable Careers Programme known by all pupils, parents and teachers at all levels, governors and employers. This will be available from the school website and general school literature. <b>(GB1)</b></li>   <li>➤ Personal guidance e.g. contact with an impartial and qualified careers adviser/ conversations with employers, employees. Students are aware of where to get help with career /option choices. <b>(GB2) (GB3) (GB8)</b></li>   <li>➤ Option choices e.g. a range of planned support for career destination routes. This may include sector specific industries, occupational role guest speakers, visits to employers, WBL providers, colleges and universities to promote all progression route options available post 16 and how to access these progression routes.<b>(GB2) (GB3) (GB7) (GB8)</b></li> </ul>

Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<p>labour market trends including salaries, competition for jobs and career opportunities. <b>(GB2) (GB3)</b></p> <ul style="list-style-type: none"><li>➤ Create opportunities to learn about what work is like or what it takes to be successful in the workplace with employer/employee encounters e.g. guest speakers, workplace visits/ site tours etc/ video resources. <b>(GB5) (GB6)</b></li><li>➤ Works experience placement/ activity totalling a minimum of 30 hours. <b>(GB2) (GB3) (GB5) (GB6)</b></li><li>➤ Work with local primary schools to provide a works experience mentoring opportunity for secondary students, to help with the development and use of employability skills. This will also act as a positive transition activity for KS2 pupils.<b>(GB2) (GB3) (GB5) (GB6)</b></li><li>➤ Global Entrepreneurship Week and/or Enterprise Activities/ Competitions that cover: financial literacy and business awareness e.g. business enterprise challenges a business plan development, branding/ marketing. <b>(GB2) (GB3) (GB4) (GB5) (GB6)</b></li><li>➤ Parents Evening: Option Choice with representatives from providers and careers specialists. <b>(GB3) (GB7)</b></li></ul>	<ul style="list-style-type: none"><li>➤ Students and Parents to have access to labour market intelligence/information e.g. use of resources for assessing labour market trends including salaries, competition for jobs and career opportunities. <b>(GB2) (GB3)</b></li><li>➤ Create opportunities to learn about what work is like or what it takes to be successful in the workplace with employer/employee encounters e.g. guest speakers, workplace visits/ site tours etc/ video resources. <b>(GB5) (GB6)</b></li><li>➤ Global Entrepreneurship Week and/or Enterprise Activities/ Competitions that cover: financial literacy and business awareness e.g. business enterprise challenges a business plan development, branding/ marketing. <b>(GB2) (GB3) (GB4) (GB5) (GB6)</b></li><li>➤ Parents Evening: Option Choice with representatives from providers and careers specialists. <b>(GB3) (GB7)</b></li><li>➤ Up to date Curriculum Vitae (CV) and or digital profile based on developing and recording work experience in formal and informal learning detailing key employability skills used and developed. <b>(GB2) (GB3) (GB5)</b></li><li>➤ Attend Skills Shows or Careers Fair e.g.<ul style="list-style-type: none"><li>• Tees Valley Skills Event</li></ul></li></ul>
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Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<ul style="list-style-type: none"> <li>➤ Curriculum Vitae (CV) and or digital profile based on developing and recording work experience in formal and informal learning detailing key employability skills used and developed. <b>(GB2)(GB3) (GB5)</b></li>   <li>➤ At the end of Yr 10 a Mock interview with employers/ employees, careers specialists including mentors, advisers, coaches, enterprise advisers etc.<b>(GB2) (GB3) (GB5)</b></li>   <li>➤ Attend Skills Shows or Careers Fair e.g.             <ul style="list-style-type: none"> <li>• Tees Valley Skills Event</li> <li>• Tees Valley Big Bang</li> <li>• North East Skills Show</li> <li>• LA area Careers Events <b>(GB3) (GB5) (GB7) (GB8)</b></li> </ul> </li>   <li>➤ Achieve a Recognition Award e.g. School Award, Duke of Edinburgh Award, Warwick Enterprise Award etc. <b>(GB3) (GB5) (GB6)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Tees Valley Big Bang</li> <li>• North East Skills Show</li> <li>• LA area Careers Events <b>(GB3) (GB5) (GB7) (GB8)</b></li> </ul>
<p>Desirable</p>	<p>Desirable</p>
<ul style="list-style-type: none"> <li>➤ Contact with young ambassadors e.g. alumni from universities, colleges, sixth form, special schools and colleges,</li> </ul>	<ul style="list-style-type: none"> <li>➤ At the end of the autumn term Yr 11 Mock interview with employers/ employees, careers specialists including mentors, advisers, coaches, enterprise advisers etc. <b>(GB2) (GB3) (GB5)</b></li> </ul>

Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4

<p>apprentices/trainees/ supported interns, employees, entrepreneurs sharing their career stories. <b>(GB5) (GB7)</b></p>	<ul style="list-style-type: none"><li>➤ Work with local primary schools to provide a works experience mentoring opportunity for secondary students, to help with the development and use of employability skills. <b>(GB2) (GB3)(GB5) (GB6)</b></li><li>➤ Works experience placement/ activity totalling a minimum of 30 hours.<b>(GB2) (GB3)(GB5) (GB6) (GB5) (GB6)</b></li><li>➤ Contact with young ambassadors e.g. alumni from universities, colleges, sixth form, special schools and colleges, apprentices/trainees/ supported interns, employees, entrepreneurs sharing their career stories. <b>(GB5) (GB7)</b></li><li>➤ Achieve a Recognition Award e.g. School Award, Duke of Edinburgh Award, Warwick Enterprise Award etc.<b>(GB3) (GB5) (GB6)</b></li></ul>
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**Example of Tees Valley Careers Framework for Schools for Key stages 3 and 4**

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**AGENDA ITEM 8**

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

**1 JUNE 2018**

**REPORT OF CHAIR OF OVERVIEW & SCRUTINY COMMITTEE**

**OVERVIEW & SCRUTINY COMMITTEE ANNUAL REPORT**

**SUMMARY**

This report summarises the work of the Overview & Scrutiny Committee for the period of May 2017 to April 2018.

The report will be presented to Cabinet by the Chair of the Overview & Scrutiny Committee.

**RECOMMENDATIONS**

It is recommended that Cabinet note the report.

**DETAIL**

**THE COMMITTEE**

1. The Overview and Scrutiny Committee consists of 15 members, 3 nominated from each Constituent Authority. The Committee is required, as far as reasonably practical, to reflect the balance of political parties of the Constituent Authorities collectively.
2. The objective of the Overview and Scrutiny Committee is to scrutinise and support the decision-making of the Combined Authority Cabinet and the Tees Valley Mayor.
3. This includes:
  - monitoring the decisions or other actions taken by the Cabinet and/or Mayor and submitting reports and making recommendations for improvements or change
  - Reviewing the Strategies and policies of the Combined Authority and holding the Mayor, other Cabinet members, and officers, to account for their delivery.
4. The Committee has the power to “call-in” for review or scrutiny decisions made by the Combined Authority before they are implemented.

5. The Chair of the Committee for the period of 2017-2018 has been Councillor Norma Stephenson OBE, Stockton Borough Council. The Vice-Chair has been Councillor Ian Haszeldine, Darlington Borough Council.
6. For the period of May 2017- April 2018 the Committee have 7 scheduled meetings. They usually meet every 6 weeks where possible to do so.
7. In addition to the ordinary meetings the Committee have also met for one additional meeting to discuss Durham Tees Valley Airport and also as a smaller established task & finish group focussing solely on the budget.
8. The Managing Director of the Combined Authority attends the meetings to answer questions from the committee, and there is the facility for the committee to provide written questions in advance of meetings. The Tees Valley Mayor attended for a meeting to answer a wide range of questions from members.
9. The Committee has not felt it necessary to utilise their power of “call-in” throughout the period of May 2017-April 2018.
10. Of the 6 meetings held to date one of these has not been quorate and therefore no decisions could be made. Attendance has been an issue at a number of meetings with some of the Constituent Authorities being continually better represented than others. This has been fed back to the authorities via Chief Executives and leaders in the hope that attendance at the meetings will improve in future.

## **2017-2018 WORK PROGRAMME**

11. The Committee have carried out their Overview and Scrutiny duties in some of the key areas of Combined Authority business.
  - i. **Housing**

The Committee were provided with an overview of housing priorities within the Tees Valley. This gave members a good insight into the role of the Combined Authority with regard to housing and a detailed understanding of the housing issues facing the Tees Valley and the opportunities from devolution. There were concerns raised from members following the Grenfell Tower tragedy as to how prevention of such an event was being addressed throughout Tees Valley. These concerns have since been addressed by individual Local Authorities via their representatives on the Scrutiny Committee.
  - ii. **Industrial Strategy & Sector Action Plans**

The Combined Authority’s Economic Strategy and Intelligence Manager gave a presentation to the Committee on the development of Sector Action Plans, following on from the launch of the refreshed Strategic Economic Plan for Tees Valley.
  - iii. **Culture & Tourism**

The Combined Authority’s Head of Culture and Tourism and Mayor David Budd, as portfolio holder for Culture, gave a presentation to the Committee detailing the ambition and plans of the Combined Authority with regard to

Culture and Tourism. The Committee were informed that Tees Valley Combined Authority is currently the only Combined Authority to include culture within its devolution deal and the presentation demonstrated the ambitious plans that the Combined Authority have for the future.

**iv. “Inspiring Our Future” - Education, Employment & Skills Strategy**

The Head of Education, Employment and Skills gave a presentation regarding the draft Education, Employment and Skills Strategy. This was delivered whilst the draft Strategy was out for public consultation to allow the Overview & Scrutiny Committee the opportunity to comment on the Strategy and contribute to the consultation. Committee members, alongside their fellow Tees Valley Councillors' were invited to a consultation workshop on 18th December to look at the draft strategy in more detail.

**v. Budget**

In order to scrutinise the budget in detail the Committee made the decision to assign a small task and finish group to achieve this. The group consisted of 4 councillors representing 3 of the 5 Constituent Authorities. Questions from Committee Members were submitted to the Chair of the task and finish group, Cllr Ian Haszeldine and these were put forward to the Managing Director and Finance Director at a meeting designated specifically for budget scrutiny. The session allowed the questions to be answered in detail and further information to be provided where necessary.

A full report from the Task and Finish Group was provided to Cabinet as part of the budget consultation process, this details all of the questions submitted from the Committee and the full responses to these.

To allow continuous scrutiny of the Combined Authority budget it was agreed that Quarterly Budget updates be added to the work programme for the Overview & Scrutiny Committee for the forthcoming year and that delegated decisions also be added to future Overview & Scrutiny agendas to allow full transparency of these decisions.

**vi. Governance**

The Committee have looked in detail at the staffing of the Combined Authority. The majority of this was done as part of the budget task and finish group and took into account recruitment planned for the next financial year. An organisational chart has been provided to the Committee to allow them to understand the current staffing structure and further information has been provided where requested regarding recruitment to new posts and the reasons for the creation of these posts. Following the appointment of the Tees Valley mayor the Committee requested further information regarding the appointment of the Special Advisor. The committee were informed that it was standard practice for a Special Advisor to be appointed to provide political advice to political leaders, and that the role is subject to specific codes and regulations. All other Mayoral Combined Authorities have made similar appointments. A timetable detailing the recruitment to this post was circulated to the Committee for their information.

**vii. Tees Valley and the Northern Powerhouse**

The committee discussed the Authority's relationship with the Northern Powerhouse at its meeting on 27th February 2018.

**viii. Durham Tees Valley Airport**

A separate meeting discuss Durham Tees Valley Airport took place on 15<sup>th</sup> March 2018.

**iv. Annual portfolio report**

The committee received comprehensive written reports from all five portfolio areas at its meeting of April 26 2018, and had the opportunity to question both portfolio holders and senior officers.

**2018 - 2019 WORK PROGRAMME**

12. The committee has 8 scheduled meetings from April 2018 – April 2019. A discussion on the priorities and work programme for these meetings will be taking place at the June 7 2018 meeting.

**FINANCIAL IMPLICATIONS**

13. None

**LEGAL IMPLICATIONS**

14. None

**RISK ASSESSMENT**

15. Not Applicable

**CONSULTATION**

16. Not Applicable

**Name of Contact Officer: John Hart**  
**Post Title: Governance & Scrutiny Officer**  
**Telephone Number: 01642 524 580**  
**Email Address: John.Hart@teesvalley-ca.gov.uk**

**AGENDA ITEM 9**

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

**1 JUNE 2018**

**REPORT OF INVESTMENT DIRECTOR**

**INVESTMENT PLAN DELIVERY REPORT**

**SUMMARY**

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

- General updates since the last report on the spend position, forecast and recent approvals;
- Annex 1 provides a list of current commitments since the last report; and
- Please note all information was correct at the end April 2018.

**RECOMMENDATIONS**

Note the current position of the investment programme and project updates.

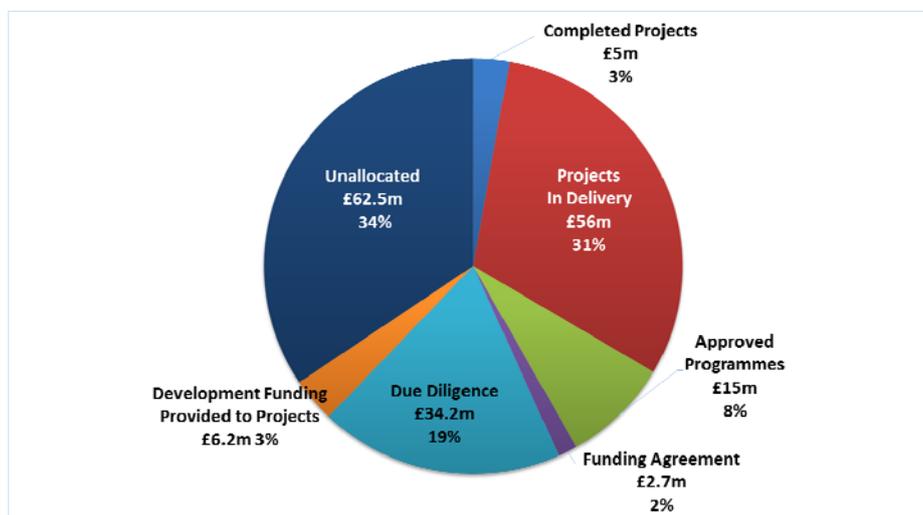
**DETAIL**

**CURRENT SPEND POSITION & FORECAST**

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

	<b>£ million</b>
Investment Plan Available Funds	305
Total Commitments	245
Total Pipeline	205
<b>Investment Plan Balance</b>	<b>-145</b>

2. **Chart 1 provides a breakdown of the investment programme (excluding specific grant expenditure)** at each stage of the assurance process through to delivery and completion. This will be updated regularly and progress reported by exception.



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

	£M	£M	£M	£M	£M
	ALLOCATION	CONTRACTED	PIPELINE	AVAILABLE	AVAILABLE MINUS 6% PERFORMANCE RESERVE*
ERDF	96.2	37.3	31	27.7	21.9
ESF	74.4	35.4	0	38.9	35
EAFRD	1.1	0.3	0.6	0.3	0.3
<b>TOTAL</b>	<b>171.7</b>	<b>73</b>	<b>31.6</b>	<b>66.9</b>	<b>57.2</b>

4. **Table 3 below shows the spend position in 2017/18 and forecasted expenditure for 2018/19 (excluding European Funding and Specific Grants).**

	2017/18 £ million	2018/19 £ million
<b>Forecast £ million</b>	25	71
<b>Achieved £ million</b>	25	To be reported at Q1
<b>Variance £ million</b>	0	

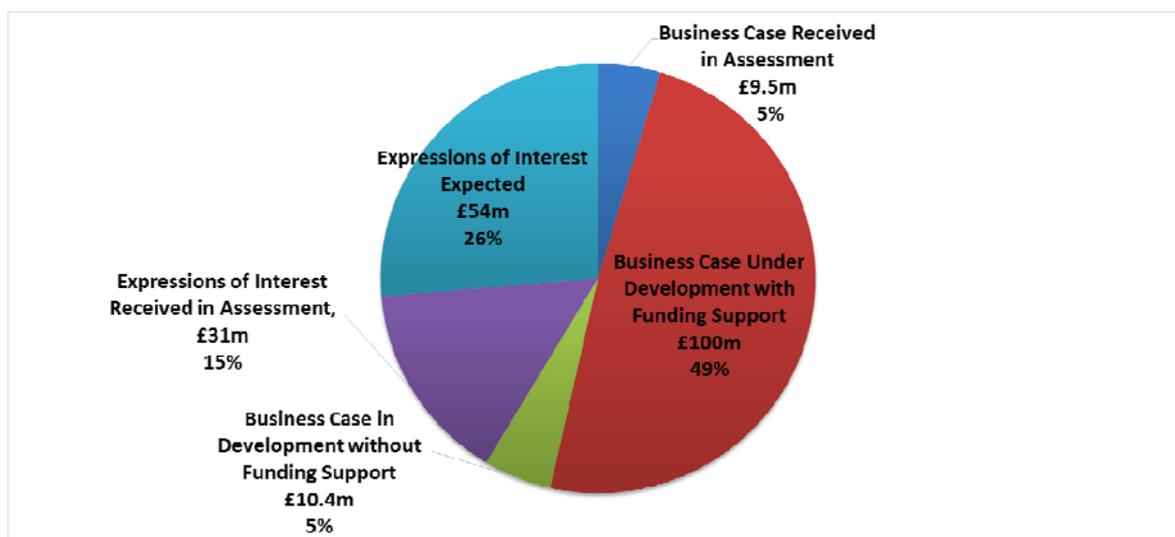
5. Government is monitoring spend closely and the ability to provide local assurance, decision making and a focus on deliverability has accelerated our investment programme significantly this year.
6. £9.8 million was paid to projects in 2016/17 and £25.3 million in 2017/18 (+158%). We are forecast to spend £71 million in 2018/19 (+180%) on local priorities. This excludes European Funding and specific grants.

## PIPELINE

7. The current pipeline stands at £205 million (excluding all borrowing and alternative funding sources). If Cabinet chooses to invest in all current pipeline projects this would lead to a shortfall of £145 million (47%) up to 2021, assuming that we invest (a) at the levels requested and (b) without borrowing.
8. Assuming that projects come forward in the timescales anticipated, we expect to have commitments in excess of our cash resources before the end of 2018/19 and work is ongoing with Management Group and Chief Executives to look at the strategy for

prioritisation and exploring commercial models for projects and leveraging additional funding sources.

9. The published forward plan sets out when projects will come forward to Cabinet for an investment decision.
10. **Chart 2 provides a breakdown of the pipeline** at each stage of the assurance process leading through to a Cabinet decision. This will be updated regularly and progress reported by exception.



## APPROVALS SINCE LAST REPORT

11. The following projects have recently been approved into the investment programme.
12. All approvals are subject to the necessary assessment and due diligence required by the Assurance Framework agreed with Government. This requires submission of a proportionate business case in line with our guidance.
13. An assessment summary for each project is prepared when due diligence is complete. Consideration of the outcome of due diligence is delegated to Andrew Lewis in consultation with Management Group and is published on the TVCA website (with commercially sensitive information redacted) to meet the requirements of the Assurance Framework.

### 14. Middlesbrough Council, Middlesbrough Rail Station

<b>TVCA Investment</b>	£2.5 million	<b>Total Project Cost</b>	£5 million
<b>Return</b>	None – match provided £2 million from Network Rail and £500,000 from Middlesbrough Council.		
<b>Update</b>	Approved by Cabinet 28 <sup>th</sup> March 2018 subject to due diligence.		
<b>Summary</b>	There is a short window of opportunity to work with Network Rail to improve the proposal to remediate the undercroft of the station (£4.5 million). Robust project governance arrangements have been agreed between the partners, and the Combined Authority will also provide project management capacity to support the delivery of the Project. Further phases of the project will be developed to deliver the wider aspirations of the station masterplan. This commitment will also contribute to the capacity study (train service requirements) and GRIP3 study.		

<b>Assurance Requirements</b>	Network Rail will be developing the Business Case and undergoing their own due diligence in terms of value for money. Therefore a separate business case is not required. However, we will require clearly defined outputs and outcomes, the client scheme requirements provided to Network Rail and check that governance arrangements are suitable and provide us with the assurances required.
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#### 15. TVCA, Culture: Great City Games & Rugby World Cup 2021 Bid

<b>TVCA Investment</b>	£2.335 million	<b>Total Project Cost</b>	£2.335 million
<b>Return</b>	None		
<b>Update</b>	Approved by Cabinet 28 <sup>th</sup> March 2018 subject to due diligence.		
<b>Summary</b>	<p>The following was approved:</p> <ul style="list-style-type: none"> <li>• An initial £340,000 to secure the development of the City Games and Cross Country activity by Nova with local authority partners;</li> <li>• 'In principle' support of a further £1.6 million support to secure the longer programme of games from 2020 to 2025 for which further Cabinet approval will be sought for beyond 2019, subject to appraisal of the success of the Games in 2019; and</li> <li>• Funding of up to £250,000 (dependent on partnership contributions) to secure the Rugby League World Cup 2021 event in Tees Valley.</li> </ul>		
<b>Assurance Requirements</b>	A proportionate business case is required for assessment and due diligence for the £340,000 to secure the City Games and £250,000 to secure the Rugby World Cup. A business case will be required at the appropriate time to assess the additional £1.6 million investment.		

#### DELIVERY

16. No further updates since the last report.

#### ASSURANCE FRAMEWORK

17. SQW have been appointed nationally to evaluate the investments we make through the devolved funds. The national monitoring and evaluation framework has been agreed and work is ongoing with SQW to provide the necessary project information. We are continuing to work with SQW to determine our local monitoring and evaluation framework, which will also be used to strengthen our assessment framework and feed into our decision making. Whilst SQW are focused on the devolved funds, TVCA will apply the framework to the single pot. A separate report will be provided to Cabinet in due course.

#### FINANCIAL IMPLICATIONS

18. No financial implications at this time.

#### LEGAL IMPLICATIONS

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

#### RISK ASSESSMENT

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

## **CONSULTATION**

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

**Name of Contact Officer: Sarah Walker**

**Post Title: Strategic Investment Manager**

**Telephone No. 01642 524418**

**Email Address: [sarah.walker@teesvalley-ca.gov.uk](mailto:sarah.walker@teesvalley-ca.gov.uk)**

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## Annex 1 - TVCA Current Commitments New EOIs

Project	Progress	TVCA Commitment
Specific Grant Schemes		132,268,616
Central Park Infrastructure Improvements	Complete	183,174
Cleveland College of Art & Design Hartlepool New Build	Complete	4,301,641
AGE Grant Extension	Complete	600,500
Digital City	In Delivery	533,000
Bank Top Station Feasibility Study	In Delivery	11,699
Materials Processing Institute Open Access Technology Centre	In Delivery	1,224,307
Middlehaven Dock Bridge (Local Majors)	In Delivery	3,933,366
NETA Skills Centre Refurbishment	In Delivery	834,000
Skills enhancement – telecare and electric vehicles	In Delivery	130,020
National Horizons Centre	In Delivery	17,500,000
Hartlepool Innovation Skills Quarter Phase 1b (Workspace and Public Realm)	In Delivery	5,131,956
Teesside Advanced Manufacturing Park EZ - Remediation and Development	In Delivery	7,650,000
Ingenium Parc - Phase 1	In Delivery	3,900,000
Broadband	In Delivery	950,000
Access Road between OSB & Wilton Engineering	In Delivery	300,000
Rail Heritage Quarter Phase 2 Development Work	In Delivery	370,000
Snow Centre Development Work	In Delivery	250,000
Culture: Great Exhibition of the North	In Delivery	39,450
New Apprentice Grant	In Delivery	1,300,000
Routes to Work	In Delivery	1,500,000
Careers & Enterprise Extension	In Delivery	110,000
Sustainable Access To Employment Programme	In Delivery	8,300,000
Culture: Destination Marketing Programmes	In Delivery	1,050,000
Culture: Festivals and Events	In Delivery	400,000
Culture: Heritage and Attraction Asset Capital Development	In Delivery	250,000
Culture: Building Cultural Capacity	In Delivery	100,000
New Investment Fund	Business Case Development	5,000,000
A689 Wynyard Improvement	Business Case Development	2,525,000
CPI Healthcare Futures Centre (Personalised Medicines)	Business Case Development	10,000,000
Billingham Bio-Pharmaceutical Campus Infrastructure	Business Case Development	1,000,000
Supporting education innovation and collaboration	Business Case Development	2,000,000
Developing a skills system for business growth	Business Case Development	2,000,000
Addressing long term unemployment (15-18 programme & work experience)	Business Case Development	2,000,000
Creating a TV Careers & Enterprise Initiative	Business Case Development	3,000,000
Business challenge and workforce planning	Business Case Development	1,500,000
Sustaining 16+ Facilities Capital	Business Case Development	3,500,000
South Bank Wharf Roundabout	Due Diligence	1,000,000
Kirkleatham Catering Academy and Walled Garden	Due Diligence	6,360,000
Delivering Sector Action Plans Programme	Due Diligence	1,970,000
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	Due Diligence	655,660
Feethams Grade A Office Development	Due Diligence	3,230,000
TWI - NDT Research Centre	Due Diligence	500,000
Middlesbrough Rail Station	Due Diligence	2,500,000
YEI Extension	Due Diligence	1,060,000
Culture: City games	Due Diligence	1,915,000
Culture: Rugby League World Cup Bid	Due Diligence	250,000
		<b>245,087,389</b>

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## AGENDA ITEM 10

### REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

1<sup>st</sup> JUNE 2018

### REPORT OF THE INVESTMENT DIRECTOR & HEAD OF EDUCATION, EMPLOYMENT & SKILLS

### PORTFOLIO: INVESTMENT

## IT INFRASTRUCTURE FOR REDCAR AND CLEVELAND COLLEGE

### SUMMARY

The purpose of this Report is:-

- to inform Cabinet of the proposal by Stockton Riverside College to invest in improvements to IT Infrastructure at Redcar and Cleveland College site as part of the planned merger of the two colleges; and
- to seek approval for £968,436 of Combined Authority investment by way of grant funding into the project as set out in this report.

### RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. subject to due diligence, approves the investment of up to £968,436 of Combined Authority grant funding in respect of IT Infrastructure improvements at the Redcar and Cleveland College site, as set out in this report.

### DETAIL

#### Summary Project Description

1. In response to the recommendations of the Tees Valley review of post 16 Further Education, and as a result of serious concerns about financial viability, Redcar and Cleveland College have been working to secure a merger with another college. The merger plans are now in place for the college to merge with Stockton Riverside College in 2018.

2. The merger will consolidate the recent positive developments of a new curriculum and offer to learners across Redcar and Cleveland and beyond. A business model that creates new consolidated general further education across a range of subject areas linked to the growing business economy in Redcar will be developed further. This will ensure more young people can access local quality further education linked to business demand.
3. The merger will secure a general further education presence in Redcar that will continue to ensure provision of learning is available across the Tees Valley.
4. From July 2017 both colleges have been working together through a Merger Implementation Group and the Transactional Unit in the Department of Education to secure plans for the merger to complete in August 2018. This work includes developing a full and detailed business case for additional funding to support the merger. This funding is revenue-based to support the future viability of the new college entity.
5. The Transactional Unit does not provide capital-related funding for merger proposals. Capital funding to support further education institutions has instead been devolved to the Tees Valley single capital pot, and an application has therefore been made to the Combined Authority. Our Investment Plan highlights up to £3.5 million to be made available to “Improve and sustain 16+ facilities to upgrade equipment and buildings to ensure sustainability of 16+ provision”. This is the first request to access an element of this funding since the Investment Plan was agreed.

### **Merger Funding Request**

6. The merger process between Stockton Riverside College and Redcar and Cleveland College has involved the development of an IT/Information and Learning Technology (ILT) Strategy. The draft IT/ILT strategy for the merged colleges has developed a detailed action plan designed to improve the effective use of IT in the delivery of teaching and learning. To inform the strategy, and as part of the due diligence work, a detailed review of existing technology at both Colleges has taken place, which has highlighted the need for immediate capital investment in IT Infrastructure at Redcar and Cleveland College site. There has been no significant investment in IT infrastructure or equipment at Redcar and Cleveland College for more than a decade.
7. The project will update the IT Infrastructure at Redcar and Cleveland College site with a total project costs of £968,436 to be grant funded by TVCA, to purchase and install the following:-
  - a) Data links;
  - b) Networks (switches, wireless, servers, storage and server software);
  - c) Firewall;
  - d) Telephony;
  - e) Classroom touchscreen displays;
  - f) Desk-top and tablet computers; and
  - g) Printers and Software.

### **Evidence of need for the Project**

8. The project has been developed in response to the issues identified through the due diligence and planning process currently taking place as part of the planned merger between Stockton Riverside College and Redcar & Cleveland College, informed by the development of a draft IT/Information and Learning Technology (ILT) strategy.

9. The IT/ILT strategy is an essential step in the process of establishing an action plan to improve the effective and consistent use of IT in teaching and learning, which will lead to improvements in the learning offer, the quality of teaching, and the overall management of the College.

#### Ambition and Benefits

10. The project aims to improve the management and facilities at Redcar and Cleveland College, contributing to the future sustainability of FE provision in the area for learners age 16+.
11. The project will improve the IT facilities for students and create teaching facilities that are up to date and enhance the research, learning and achievement of students.
12. The alignment of IT infrastructure to Stockton Riverside colleges IT processes will also enable better performance management monitoring that in turn will help improve business planning and quality assurance of teaching practise.
13. The delivery of the Project will support the delivery of the SEP and contribute to the following outputs and outcomes:-
  - a) To improve and sustain 16+ facilities;
  - b) Secure the future sustainability of Redcar and Cleveland College;
  - c) Support a successful merger between Stockton Riverside College and Redcar and Cleveland College by 1<sup>st</sup> August 2018;
  - d) Improve the effective use of ICT in the delivery of learning, helping to improve learner attendance, retention and achievement rates, through improved facilities and learning delivery;
  - e) Increase learner numbers by 510 by 2020/21;
  - f) Increase the number of apprenticeships by 340 by 2020/21; and
  - g) Maintain the number of adult learners, and increase the range and volume of HE delivery, specifically to support forecast growth in key engineering sectors.

#### Assurance

14. A proportionate assessment of the business case has been undertaken by the Combined Authority in line with the Assurance Framework (a copy of the Assessment Summary is attached to this report).
15. Approval of the Project by Cabinet is requested subject to:-
  - a) Further work on the options appraisal, associated costs and benefits and a final positive Benefit Cost Ratio (BCR) to ensure value for money prior to entering into a funding agreement; and
  - b) The applicant provides a final formal legal opinion on State Aid.

16. No further external due diligence is required.

#### Funding

17. The grant funding requested is required in financial year 2018/19 to ensure that the works are fully completed by 1st August 2018 in time for the new 2018/19 academic year.

18. The overall costs of the Project (including contingencies) are estimated at £968,436.
19. The proposal requests 100% grant funding from TVCA. There is strong justification in the business case as to why the proposal is requesting 100% grant funding:
- a) There has been significant downward pressure on FE Colleges, both in terms of funding for capital programmes, including capital for IT improvements, as well revenue funding with operating budgets being reduced;
  - b) Stockton Riverside College has recently invested alongside TVCA in improved training facilities at NETA, using finance generated by the sale of NETA premises in Billingham and has no available capital resource to invest;
  - c) The merged college would not generate sufficient income at this point in the merger process to be able to invest in the required IT Infrastructure; and
  - d) Without TVCA support the project would not go ahead and there is a real risk that learner numbers and the quality of provision at Redcar and Cleveland College would continue to decline, putting its ongoing sustainability at risk.
20. The need for IT investment at Redcar and Cleveland College site is significant and independent of the merger. The IT infrastructure is extremely old, with many PCs and interactive whiteboards 9 years old and the network being operated on a system (Novell) no longer in general commercial use. This needs significant and immediate investment, and will need this irrespective of the merger with Stockton Riverside College.
21. The major overhaul of the IT network must be completed over the Summer period to avoid disruption at the beginning of term, and there are some critical elements of the project at this point.
22. We therefore propose to add conditions to the funding agreement in two parts:-
- Part 1 - £390,176 for the major infrastructure works that must take place in the summer period. This is to be paid prior to the finalisation of the merger, with the ability for TVCA to clawback if a suitable merger doesn't take place; and
  - Part 2 - £578,260 to be paid once the merger is complete.
23. Stockton Riverside College/Redcar and Cleveland College are collectively applying for financial support (post-merger) to the Department of Education's Restructuring Facility. However, this would only provide revenue, rather than capital investment.

## **FINANCIAL IMPLICATIONS**

24. To commit £968,436 to Redcar College IT Infrastructure Investment project by way of grant funding, subject to appropriate due diligence through the Tees Valley Assurance Framework.
25. This funding will come from the £3.5 million identified in the Investment Plan under Education, Employment and Skills to improve and sustain 16+ facilities.

## **LEGAL IMPLICATIONS**

26. Any legal issues in respect of the Project will be dealt with in the funding agreement to be entered into between the Combined Authority and Stockton Riverside College in due course. The Combined Authority will use its standard funding agreement for capital projects to govern the terms of its investment. The funding agreement will be tailored so as to minimise the risks identified in the risk section below as far as possible.

## **RISK ASSESSMENT**

27. The key risks in relation to the Combined Authority's investment in the Project are the potential time and cost overruns as the merger is currently not complete and costs have been estimated. This will be managed through the due diligence and the Combined Authority's funding agreement with Stockton Riverside College (including monitoring and reporting arrangements).

## **CONSULTATION**

28. The Merger Implementation Group (MIG), met on the 24<sup>th</sup> January 2018 and all members expressed their support in principle for this proposal.

**Name of Contact Officer:** Kelly Neal  
**Post Title:** Project Investment Officer  
**Telephone Number:** 01642 524402  
**Email Address:** [kelly.neal@teesvalley-ca.gov.uk](mailto:kelly.neal@teesvalley-ca.gov.uk)

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## TVCA Assessment Summary

### Note:

1. This summary will be completed for each project TVCA invests in. It summarises the results of the appraisal and due diligence undertaken.
2. This form will be published on the TVCA website and the applicant reserves the right to redact any commercially sensitive information.

<p><b>SEP Theme:</b></p> <p>Education, Employment and Skills</p>	<p><b>TVCA Ref &amp; Project Lead:</b></p> <p>TVIF0029 Stockton Riverside College – IT Infrastructure Investment at Redcar and Cleveland College</p>
<p><b>Project Description:</b></p> <p>This proposal supports the strategic aim in the Investment Plan and the Education, Employment and Skills Strategy to support infrastructure in training facilities that support the outcomes of the Area Based Review. This proposal supports the aim to have good FE facilities in each town in the Tees Valley and it supports more residents to access training, supports digital training for supplying a skilled workforce for the Digital priority sector.</p> <p>As part of the planned merger with Stockton Riverside College and Redcar and Cleveland College, a detailed review has been undertaken of existing technology at both Colleges. This review has highlighted the need for investment to improve the IT infrastructure at Redcar and Cleveland College site. Capital investment is requested to purchase and install:</p> <ul style="list-style-type: none"> <li>• Data links;</li> <li>• Networks (switches, wireless, servers, storage and server software);</li> <li>• Firewall;</li> <li>• Telephony;</li> <li>• Classroom touchscreen displays;</li> <li>• Desk-top and tablet computers and</li> <li>• Printers and software.</li> </ul> <p>There has been no significant investment in IT infrastructure or equipment at Redcar and Cleveland College for more than a decade. The College is in a weak financial position with declining learner numbers and a poor Ofsted rating. This investment is aimed to improve the management and facilities at Redcar and Cleveland College, contributing to the future sustainability of FE provision in the area for learners age 16+.</p>	
<p><b>Date of Investment Decision:</b> Planned for 1<sup>st</sup> June Cabinet</p>	

### Funding Model:

Source	Total
TVCA	£968,436
<b>Total</b>	<b>£968,436</b>

**Type of Investment and Return:** TVCA Capital Grant – both Stockton Riverside College and Redcar and Cleveland College do not have the available capital resource to invest in this scheme.

### Outputs:

Output	Total
Number of Apprenticeships Supported	+340
Number of Learners Assisted	+510

### Key Milestones:

Milestone	Date
Start Date	June 2018
Practical Completion Date	September 2018
IT Upgrade Operational	September 2018

### Due Diligence Undertaken:

A proportionate assessment has been undertaken in accordance with the Assurance Framework. External due diligence was not required.

### Approval Conditions:

Further work is undertaken on the options appraisal, associated costs and benefits and a final positive Benefit Cost Ratio (BCR) to ensure value for money prior to entering into a funding agreement.

The applicant to provide a final formal legal opinion on State Aid position.

Part 1 - £390,176 for the major infrastructure works that must take place in the summer period is to be paid prior to the finalisation of the merger, with the ability for TVCA to clawback if a suitable merger doesn't take place; and

Part 2 - £578,260 to be paid once the merger is complete.

**Major Risks:** Financial & Deliverability

Potential time and cost overruns as the merger is currently not complete and costs have been estimated– this will be managed through the due diligence and the Combined Authority’s funding agreement with SRC (including monitoring and reporting arrangements)

**Appraisal Score:**

Strategic	4	<b>Summary</b>  Each case is out of 10. The strategic case is lower due to the scale and scope of the project. It has clear links to delivering the Strategic Economic Plan but in one specific area. The commercial case covers procurement and commercial arrangements relating to services and assets that are required to implement a proposal. This project scores well, as whilst this is not a commercial investment, the necessary commercial arrangements such as ownership, design etc. are in place. The financial case is low due to this being 100% grant funding from TVCA and also as the costs are currently estimated. A thorough procurement process will be undertaken to ensure value for money and any variations will be managed in line with the Assurance Framework.
Economic	8	
Commercial	10	
Financial	1	
Management/Legal	10	
<b>Overall Score*/%</b>	<b>33/50 67%</b>	

<50% Red, 50-75% Amber, >75% Green

Policy Lead Signature:	Investment Director Signature:	Finance Director Signature:	Managing Director Signature:
Date:	Date:	Date:	Date:

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## AGENDA ITEM 11

### REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

1 JUNE 2018

### REPORT OF THE STRATEGY DIRECTOR

## ACTION PLAN TO DELIVER EUROPEAN STRUCTURAL INVESTMENT FUNDS

### SUMMARY

1. This paper sets out an action plan to deliver European Structural Investment Funds (ESIF) and ensure that remaining Programme resources are maximised within Tees Valley. It highlights the current funding position; the Combined Authority's responsibilities following receipt of Intermediate Body status; and identifies a timeframe to enhance delivery.
  
2. The key points to note from the report are:
  - The UK will continue to participate in all EU programmes in the 2014-20 funding period, subject to overall agreement being reached between the UK and EU on our exit from the EU. This means that ESI Funds programmes will continue to deliver and invest in Tees Valley until the programme closes. We also know that the Shared Prosperity Fund will start in 2021, coinciding with the end of the Local Growth Fund. Therefore, there is not the same urgency to get remaining funds committed quickly as there was a few months ago. However, we should not be complacent about the challenges of utilising the funds.
  - If the performance targets are not met the Commission will withhold 6% of the total programme. Therefore, as this is a key risk future calls will only cover funding up to 94% of the allocations.
  - These are national programmes and the overall performance reporting to the European Commission is at that level. However, to achieve the national targets each Local Enterprise Partnership area needs to deliver its share of the national targets.
  - Nationally, the latest performance information (March 2018 report) is suggesting that the performance targets for spend and outputs on ERDF will be met in transition areas for all activities with the exception of PA 4 (Low

Carbon). There are also issues with some of the other measures that Tees Valley is not delivering and there are issues in other categories of region, for example in the more developed areas there are risks against the PA 2 (ICT) targets.

- For ESF the national performance information (March 2018 report) is suggesting that all categories of region are on track to meet the 2018 performance targets.
- Some areas have tactically chosen to commit as much funding up front as possible, particularly for the European Social Fund (ESF) and are therefore seen as performing well. However, this leaves them with little funding available in the latter half of the programme period. There is a risk that the Managing Authority will be pressured by areas that are seen to be performing well against the 2018 targets to shift funding to them from areas that aren't.
- DWP have now confirmed that the Youth Employment Initiative delivery period can now be extended through to 2023 against the original allocations. Government is currently in discussions with the European Commission to consider how to fund extension requests that cannot be met within the existing allocations.
- Tees Valley is forecast to spend £12.91m of European Regional Development Funds against a performance target for the end of December 2018 of £15.55m. For European Social Fund Tees Valley has committed £32.5m of the performance target at the end of December 2018 of £34.1m. We do not have forecast spend figures available.
- £21.1m of ERDF and £35m of ESF remain to be committed in Tees Valley through to the end of the Programme if the performance reserve was not released, if it was a further £6m ERDF and £3.9m ESF would be available if it was released. The Action Plan at Appendix 2 sets out measures to maximise the use of these funds.
- Of the £1.1m European Agricultural Fund for Rural Development only £0.26m remains to be allocated.
- The Combined Authority is now undertaking responsibilities gained through the devolution deal through Intermediary Body status. This includes advising on when calls are issued, the development of strategic fit element of the open calls and undertaking assessments on strategic fit, value for money and deliverability.

## **RECOMMENDATIONS**

3. It is recommended that Cabinet notes the content of this report, agrees the actions proposed and considers any further opportunities that can maximise the delivery of European Structural and Investment Funds in Tees Valley.

## **BACKGROUND**

### **Tees Valley - ESIF resources for 2014-2020**

4. Tees Valley was given an indicative allocation for the 2014-20 programming period of £171.7m. Table 1, below show the breakdown and current position for the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural, Fund for Rural Development (EAFRD) against the full programme period. Although the programme runs from 2014-20 normally spend and

outputs could be achieved through to 2023. It has been confirmed that UK will continue to participate in the ESIF programme until it ends.

<b>Table 1: Current ESIF Position (total Programme allocation - 2014-2020)*</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
	<b>ALLOCATION</b>	<b>CONTRACTED</b>	<b>PIPELINE</b>	<b>AVAILABLE</b>	<b>AVAILABLE MINUS 6% PERFORMANCE RESERVE</b>
ERDF	96.2	37.3	31.0	27.7	21.9
ESF/YEI	74.4	35.4	0	38.9	35.0
EAFRD	1.1	0.3	0.6	0.3	0.3
<b>TOTAL</b>	<b>171.7</b>	<b>73.0</b>	<b>31.6</b>	<b>66.9</b>	<b>57.2</b>

\* All figures are subject to exchange rate fluctuations, currently based on 0.78. Options to manage exchange rate fluctuations, including impact on implementation and allocations across LEP areas and Priority Axis are currently being considered by the national Growth Programme Board. An update will be provided when it is available.

Appendix 1 details some of the current projects that are being delivered with the support of the ESIF programme.

### **European Regional Development Fund**

5. At this stage in the ERDF programme we are working towards the Performance Framework allocations/targets, which were set at the beginning of the programme and run to 31 December 2018, at which point the programme will be reviewed. If performance targets are achieved, the total Programme allocation will be released through funding calls in 2019. If the UK targets are not achieved there is a risk that up to 6% of the full programme allocation would be withheld. The current national performance information (through to end December 2017) suggests that transition regions are forecasting to achieve the performance framework expenditure and output targets in all activities with the exception of low carbon.
6. Details of the Tees Valley ERDF Performance Framework allocations and remaining balances up to the end of December 2018 are shown below in Table 2. The table highlights that projects are not either achieving their original forecast spend. This is likely to be for a mix of reasons including challenges in achieving the forecast spend and / or delays in getting claims in and processed.

Table 2: Current ERDF Breakdown by Priority (N+3 Targets – to December 2018)	£M	£M	£M	£M	£M
	N+3 Target to End of Dec 2018	Forecast Spend by Current Projects to June 18	Variance	Total Contracted	Pipeline
1 Innovation	3.44	4.16	0.72	6.3	16.3
2 ICT	0.38	0.13	0.25	0.7	0
3 SME Competitiveness	9.26	10.02	0.76	24.8	7.0
4 Low Carbon	2.47	2.26	-0.21	5.6	7.7
<b>TOTAL</b>	<b>15.55</b>	<b>12.91</b>	<b>1.52</b>	<b>37.4</b>	<b>31.0</b>

£2.5m of claims have been paid to date, based on the N+3 targets. (This covers ERDF expenditure only. It excludes NPIF, of which £4.8m has been drawn down).  
£18.36m of claims have been submitted against total contract value of £19.25m. These figures are based on total expenditure, including match and outputs, and are not limited to ERDF expenditure (as the N+3 figures above are).

### Tees Valley ERDF Performance Compared to National Performance

7. We have recently received the national performance information up to the end of December 2017. The table below illustrates that on Low Carbon activity we are exceeding the national performance, despite significant issues with this activity, on SME competitiveness we are on a par with the national performance but on Innovation and ICT we are below the national programme performance.

	Tees Valley Performance % contracted against allocation	Transitional Areas % contracted against allocation
1 Innovation	32	42
2 ICT	34	50
3 SME Competitiveness	46	46
4 Low Carbon	38	32

### European Social Fund (ESF)

8. As above with ERDF, we are also working towards the Performance Framework allocations/targets for the ESF programme, which again were set at the beginning of the programme and run to 31 December 2018, at which point the programme will be reviewed. If performance targets are achieved, the total Programme allocation will be released for future funding calls.
9. A recent report to the national Growth Programme Board highlighted that all Categories of Region are on track to meet the 2018 performance reserve targets.

Table 3 below shows the Performance Framework targets for Tees Valley ESF together with the current levels of commitment.

<b>Table 3: Current ESF Breakdown by Priority (N+3 Targets – to December 2018)</b>	£M	£M	£M	£M
	<b>N+3 Target to End of Dec 2018</b>	<b>Commitments</b>	<b>Variance</b>	<b>Pipeline</b>
1 Extending Employment Opportunities Incl. Youth Employment Initiative	29.3	27.4	1.9	0
2 Developing a Skilled and Adaptable Workforce	4.7	5.1	-0.4	0
<b>TOTAL</b>	<b>34.1</b>	<b>32.5</b>	<b>1.5</b>	<b>0</b>

It is not possible at this stage to provide full details of actual spend for ESF, due to an exercise being undertaken by DWP to update their e-claims system. Full details will be available in time for the next ESIF Sub-Committee meeting in July.

### Tees Valley ESF Performance Compared to other Areas

10. We have recently received the national performance information up to the end of December 2017. The table below illustrates that Tees Valley is performing close to national average for Priority 1 Extending Employment Opportunities but well below national average for Priority 2 –Developing a Skilled Workforce.

	<b>Tees Valley Performance % contracted against allocation</b>	<b>England Operational Programme % contracted against allocation</b>
1 Extending Employment Opportunities	59%	57%
2 Developing a Skilled and Adaptable workforce	18%	27%

11. However, when compared to other transition areas it is apparent that some areas have chosen to tactically commit the bulk of the full programme allocation in the first half of the programme (see table below).

LEP area (Transition Area)	1.1 Access to Employment	1.2 Sustained Integration for Young People	1.3 YIE	1.4 Active Inclusion	1.5 Inclusive Labour Markets	2.1 Lifelong learning	2.2 Improving Education
% of total programme allocation committed							
Cumbria	73%	40%	NA	77%	NA	59%	0%
Greater Lincolnshire	47%	23%	NA	27%	NA	32%	84%

Heart of the South West	<b>81%</b>	18%	NA	<b>81%</b>	NA	39%	30%
Humber	<b>92%</b>	<b>81%</b>	<b>83%</b>	<b>81%</b>	53%	54%	0%
North East	48%	9%	81%	23%	81%	29%	36%
Sheffield City Region	13%	0%	NA	10%	NA	47%	0%
Stoke and Staffordshire	62%	<b>73%</b>	NA	<b>72%</b>	NA	40%	0%
<b>Tees Valley</b>	<b>31%</b>	<b>0%</b>	<b>98%</b>	<b>48%</b>	<b>NA</b>	<b>28%</b>	<b>0%</b>
The Marches	0%	71%	NA	35%	NA	12%	0%
York, North Yorkshire & East Riding	9%	<b>98%</b>	NA	77%	<b>100%</b>	41%	0%

12. There is a risk that transition areas that have already committed the bulk of their full programme allocation in the first half of the programme period ask for allocations from areas that haven't fully committed. It is therefore, essential that we have a plan in place to ensure the rest of the Tees Valley allocation is fully committed over the remaining programme period and be able to demonstrate the need to retain the funds to address particular issues and challenges. The table in Appendix 2 is the start of this plan and further detail will be developed as discussions progress with DWP.
13. Tees Valley is performing particularly well (98% committed) against other areas in relation to Youth Employment Initiative which is the element of ESF directed at supporting employment opportunities up to the age of 25.
14. The extension of YEI enables delivery to continue to support people up to the age of 29 move towards work. The extension is an opportunity to maximise the unallocated and underspent YEI funding. In order to secure this extension match funding is required to support the two lead providers and their subcontractors in Tees Valley to extend the opportunity. The two lead providers are Hartlepool Borough Council and New College Durham, there is no opportunity to enable new applications to DWP for YEI delivery. Both providers have explored available match funding from alternative sources and have identified a gap of £1.75m. In November 2016 Cabinet agreed to allocate £2.06m to YEI extension, therefore match funding will now be provided to the lead providers to deliver the extension. The remaining £310K will now be made available within the wider Education, Employment and Skills investment envelope.
15. The opportunity to raise calls for applications has been under consideration for a number of months, but a number of factors resulted in delays for raising these open calls:
- Awaiting confirmation from DWP as to its ability to act as an Opt-in partner in future
  - Awaiting outcome of consideration to extend extensions to ESFA and Big Lottery Fund Opt-ins
  - Awaiting an announcement from DWP and the Opt-in organisations regarding their role in the second half of the ESF Programme
16. The issues above are national issues and the decisions impact on both when and what additional provision will be required via open calls. Responses are critical in

terms of TVCA's consideration of future calls and how much match funding we would be required to identify either directly or from future applicants.

17. The requirement to identify clean match funding is a challenge for many potential applicants, although there are organisations with the experience and ability to identify some degree of match funding.
18. Another key factor was the development of the Skills Strategy 'Inspiring Our Future' and the need to ensure that the strategy informed the development of future calls. This is now complete and includes a high level investment plan for ESF. Work has begun to identify future open calls and a plan for releasing the remaining funding, approximately £39m, is included in the ESF Action Plan later in this report.

### European Agricultural Fund for Rural Development (EAFRD)

19. Tees Valley has a total EAFRD allocation of £1.1m. The deadline for Expressions of Interest was the end of January 2018 and it was then extended to 31 May 2018.
20. Tees Valley ESIF Committee mandated authority to a small Sub Group in early 2017 to consider Tees Valley projects for strategic fit.
21. Nine projects have been submitted to date. The first Tees Valley approval was obtained in December 2017, one project was withdrawn by the applicant during the process of developing the Full Application and one project was rejected due to it failing strategic fit. Five projects are developing Full Applications and one project was recently assessed by the Sub Group so we are awaiting the outcome of the appraisal.
22. Performance Framework allocations/targets are not an issue for EAFRD as it is a time bound programme with a deadline for new projects of May 2018. There are a number of projects in the pipeline, promotion is ongoing and with the additional time for submission the risk of not committing the remaining funding is minimal.
23. Table 4 illustrates the current position in terms of EAFRD funding and projects to date.

Table 4: Current EAFRD Breakdown by Theme	£M	£M	£M	£M
	Allocation	Contracted	Pipeline	Available
Rural Business Development	0.45	0	0.254	0.196
Tourism Infrastructure	0.65	0.32	0.284	0.042
<b>TOTAL</b>	<b>1.1</b>	<b>0.32</b>	<b>0.538</b>	<b>0.238</b>

### INTERMEDIATE BODY STATUS

24. In December 2017, the Combined Authority secured Intermediate Body status for ERDF and ESF funds remaining in the current Programme. This transfers agreed functions to the Combined Authority from the Managing Authorities (Department for Work and Pensions for ESF and Ministry for Housing, Communities and Local

Government for ERDF), and potentially puts the Combined Authority in a stronger position for local management and control of Shared Prosperity funds in the future.

25. From December 2017, the following functions became the responsibility of the Combined Authority:

- Providing advice on the timing of calls to the Head of the Local Growth Delivery Team
- Developing local strategic fit content for call design
- Carrying out assessment and appraisal of local strategic fit for outline and full applications
- Deciding on local strategic fit content for project calls (seeking advice from the ESIF sub-committee to inform decision making)
- Assessing outline and full application for local strategic fit and deciding which to approve (seeking advice from the ESIF sub-committee to inform decision making)
- Providing advice to the Managing Authorities on Value for Money and Deliverability selection criteria
- Having regular review meetings with the Local Growth Delivery Team to discuss performance information and agree actions as appropriate.

26. New responsibilities will enable the Combined Authority to:

- Influence the timing of calls so that the value of projects can be maximised for the Tees Valley economy. We recently requested that the calls that were to be issued on 2 March-20 April, be extended to 25 May – this was agreed. This will allow sufficient time for appropriate projects to be brought forward. In providing the timetable for future calls MHCLG has confirmed that IB and SUD calls are not required to follow this call window schedule and are subject to local / GDT agreement (calls will still require a 2 week No. 10 approval period on submission to ERDF Communications Team).
- Ensure that all calls, and projects that go on to receive funding, complement one another for the benefit of the Tees Valley economy and actively contribute towards the achievement of regional economic priorities.
- Align assessment approaches for deliverability and value for money with the Combined Authority's Assurance Framework for the Tees Valley Investment Fund.
- Better understand performance of projects in receipt of European Funding, to take action that addresses underperformance and ensure that funded activity continues to deliver regional economic priorities.

27. The Combined Authority has applied for Technical Assistance resources to fund the additional tasks associated with Intermediate Body status. Existing staff resources will deliver the activities.

## **MAXIMISING THE ESIF FUNDS**

28. The current position is less than ideal, but given the difficulties in getting initial spend underway it is not surprising. However, as the Programme will now continue to its natural end there is not the same pressure to get funding committed as there was a few months ago when it seemed that the Programme period would be cut short. However, we should not be complacent about the challenges in maximising the use of the funds.

## **Key challenges**

29. There are ongoing challenges to achieving ESIF spend and outputs. These include:
- applicants ability to secure match funding;
  - avoiding duplicating projects already in delivery, and impacting their ability to achieve spend and outputs (e.g. Business Compass, for which the Combined Authority is directly accountable);
  - identifying eligible activity to deliver outputs required (particularly in in relation to Priority Axis 4- Low Carbon);
  - perceptions and understanding of the European Funding process together with reporting and audit risks; and,
  - issues around income generation and being unable to make a profit. This is a particular deterrent to the private sector who may be in a position to provide match funding.
  - the length of the process from when a call is issued to approval, even for project sponsors that are experienced in preparing applications. For example, NEEAL (North East Enterprise Agencies Limited) submitted an EOI for the Business Compass Start-Up service on 27 May 2015, it was approved on 7 August 2015, they submitted the full business case on 4 November 2015 and it was approved on 23 May 2016. Therefore, it was almost a year to the day from submitting an EOI to the approval of the project so that it could proceed. The Managing Authority had previously considered the ability to have a one stage process with applicants going straight to full application if they are prepared to take the risk. However, this would need to be approved by the European Commission as a significant change in process. Applicants could be encouraged to submit EOIs and prepare their full business case at the same time so that as soon as the EOI is approved they can submit the full business case.
  - complexity of the system and capacity to submit and process claims, which can lead to payment delays and affect figures for actual spend.

### **Bringing forward activity**

30. Attached as Appendix 2 is an Action Plan for both ERDF and ESF. It sets out a timeframe for activity that has recently been undertaken and planned activity to secure the take up of ESIF resources in the current Programme. It shows a particular focus on areas where the region has not maximised funding opportunities to date.
31. Additional activity will be confirmed based on the ability to access performance reserve and major projects in the pipeline moving to delivery stage.

### **Implications of Brexit and plans for a UK Shared Prosperity Fund**

32. The UK will continue to participate in all EU programmes in the 2014-20 funding period, subject to overall agreement being reached between the UK and EU on our exit from the EU. This means that ESI Funds programmes will continue to deliver and invest in Tees Valley until programmes close.
33. Government has confirmed that structural fund money which comes back to the UK following Brexit will be used to create a UK Shared Prosperity Fund. The Shared Prosperity Fund will also replace the current Local Growth Fund, and other funds may also be put into it. It will be designed to reduce inequalities between communities, help deliver sustainable and inclusive growth based on the Industrial Strategy.

34. We now know that the Shared Prosperity Fund will start in 2021 coinciding with the end of the existing Local Growth Fund. Government are currently planning further consultation on the design of the UK Shared Prosperity Fund.

## **FINANCIAL IMPLICATIONS**

35. There are no direct financial implications as a result of this report. There are likely to be financial implications associated with future applications for ESIF resources. These will be the subject of separate reports to Cabinet as required.

## **LEGAL IMPLICATIONS**

36. There are no direct legal implications.

## **RISK ASSESSMENT**

37. Without a clear and targeted plan to deliver the European Structural Funds that have been allocated to Tees Valley, there is a risk that resources will not be drawn down, and would therefore be lost to the region.

## **CONSULTATION**

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

**Name of Contact Officer:** Geraldine Brown / Sue Donnelly

**Post Title:** Policy Manager / ERDF Programme Development Officer

**Telephone No.** 01642 524432 / 01642 524422

**Email Address:** geraldine.brown@teesvalley-ca.gov.uk / sue.donnelly@teesvalley-ca.gov.uk

## EXAMPLES OF CURRENT ERDF ACTIVITY

Detailed below are examples of current projects being delivered under the 2014-20 programme.

### ERDF Priority 1 - Innovation

#### **Teesside University – Innovate Tees Valley £3.7m ERDF £2.6m Match**

Innovate Tees Valley is a partnership project which delivers revenue support to Tees Valley SMEs. It provides support to overcome growth barriers and find new markets for enhanced products or services which will ultimately increase the number of businesses which are innovation-active.

### ERDF Priority 2 - ICT

#### **Tees Valley Combined Authority – Broadband Vouchers via Tees Valley Business Compass £750k ERDF £1.25m Match.**

Broadband vouchers can part fund capital costs of accessing superfast broadband and improved broadband schemes.

### ERDF Priority 3- SME Competitiveness

#### **Tees Valley Business Compass – Growth Hub and Flexible Fund £9.5m ERDF £13.5m Match.**

Tees Valley Business Compass is the local growth hub delivered by BE Group on behalf of TVCA. It helps ambitious businesses realise their growth potential by offering access to a range of practical services, from local business information, assessing growth options through to unlocking finance and funding streams.

### ERDF Priority 4 - Low Carbon

#### **Tees Valley Combined Authority – Energy Efficiency Vouchers via Tees Valley Business Compass £600k ERDF £1m Match.**

This project provides financial assistance to enable SMEs to overcome barriers to improving their energy efficiency.

## ESF

TVCA has tried to ensure that future ESF spend aligns with the Education, Employment and Skills Strategy; “Inspiring Our Future”.

Currently the only activity underway for ESF is through the opt-in contracts. We have two opt-in partners the Education and Skills Funding Agency (ESFA) and the Big Lottery Fund (BLF).

### ESF Priority 1.1 - Extending Employment Opportunities

The ESFA have six separate contracted programmes. These are:

- Skills Support for the Unemployed – 2 contracts
- Routes to Enterprise
- ESOL (English for Speakers of Other Languages)
- CAIG Services (Careers Advice Information and Guidance)
- Sector Led Apprenticeship Routeways

### **ESF Priority 2.1 - Enhancing Equal Access to Lifelong Learning**

The ESFA also has another two contracts under:

- Skills Support for the Workforce; and
- Skills Support for Redundancy.

These are all delivering to a current end date of 31<sup>st</sup> July 2018. However ESFA have been in discussions with DWP for some months, regarding the potential to extend delivery under these programmes until July 2019. ESFA are also discussing with DWP, the possibility of taking out another Opt-in within the second half of the European Programme.

### **ESF Priority 1.2/1.3 - Extending Employment Opportunities: Sustainable Integration of Young People/Youth Employment Initiative**

The Youth Employment Initiative (YEI) Programme is due to finish at the end of July 2018. There are therefore plans to launch a new Open Call for NEET provision as soon as possible. TVCA are currently in dialogue with DWP with a view to a draft version going to the next available ESIF Committee.

### **ESF Priority 1.4 - Extending Employment Opportunities**

The BLF have a single Opt-in Programme to deliver part of their national, 'Building Better Opportunities' Programme. This is already scheduled to run until 31<sup>st</sup> July 2019 and currently works with those aged 29+ who have complex needs to overcome barriers to work; however this will expand to take young people aged 18+ from April 2018, as our YEI programme reduces its new referrals. Big Lottery are also in discussions with DWP around the opportunity to undertake a further Opt-in for the second half of the EU Programme.

The decision on whether or not to extend the ESFA and Big Lottery Fund Opt-ins is a national issue and all LEP areas are pressing for an early resolution, as this will have an impact on both when and what additional provision LEPs need DWP to commission for their area, as open calls.

The Education, Employment and Skills Team is working closely with DWP to determine the needs and further calls will be developed as required under the following themes.

- ESF Priority 2.1 - Enhancing Equal Access to Lifelong Learning
- ESF Priority 2.2 - Improving the Labour Market Relevance of Education and Training Systems.

There are no pre- determined call windows for ESF therefore calls can be launched as and when they are ready.

## **EAFRD**

Calls under EAFRD remain open for Business Development and Tourism Infrastructure projects. The current deadline is 31<sup>st</sup> May 2018 for Expressions of Interest.

## ERDF ACTION PLAN

Timeframe	Activity
From December 2017	Following receipt of IB status, work with the Managing Authority to advise on timing of future calls.
8 December 2017 - 26 January 2018	<p>Call for PA3 (SME Competitiveness) - £10m revenue</p> <p>TVCA activity to support the development of appropriate applications:</p> <ul style="list-style-type: none"> <li>• Information Event held in November 2017 to promote draft calls and encourage applicants to begin developing projects</li> <li>• Advise applicants on eligibility at the earliest opportunity</li> <li>• Assist applicants in identifying match funding sources</li> <li>• TVCA to continue working with applicants where potential proposals have been identified</li> <li>• Encourage take up of the support provided by TVCA to develop the strongest applications possible and address issues early</li> <li>• Align TVCA procedures where match is concerned, where possible.</li> </ul> <p>Two projects are in the final stages of assessment.</p>
8 December 2017 - 26 January 2018	<p>Call for PA4 (Low Carbon) - £5m revenue &amp; capital</p> <p>TVCA activity to support the development of appropriate applications:</p> <ul style="list-style-type: none"> <li>• Information Event held in November 2017 to promote draft calls and encourage applicants to begin developing projects</li> <li>• Advise applicants on eligibility at the earliest opportunity</li> <li>• Assist applicants in identifying match funding sources</li> <li>• TVCA to continue working with applicants where potential proposals have been identified</li> <li>• Encourage take up of the support provided by TVCA to develop the strongest applications possible and address issues early</li> <li>• Align TVCA procedures where match is concerned, where possible.</li> </ul> <p>Two projects are in the final stages of assessment.</p>
2 March – 25 May 2018	<p>Live calls:</p> <p>PA2 (Enhancing ICT) - £1.1m  PA3 (SME Competitiveness) - £10m  PA4 (Low Carbon) – up to £5m</p> <p>Potential projects to bid into these calls, which will be supported to develop applications are:</p> <ul style="list-style-type: none"> <li>• Full Fibre Network</li> <li>• Collaborative networks</li> <li>• Digital City</li> </ul>

	<p>A gap analysis of business support activity is taking place, which will be available to encourage stronger applications and avoid duplication with Business Compass activity.</p> <p>Launch Events have been arranged in anticipation of the new calls:</p> <p>ICT – Monday 5 March 2018 SME Competitiveness – Tuesday 13 March 2018 Low Carbon – Tuesday 13 March 2018</p>
Now	Encourage applicants to develop full business cases at the same time as EOIs to try to reduce the timescales for project assessment and approvals.
Now	Request an additional open call slot for July 2018. This will be particularly useful for the extension of exiting projects such as Business Compass Growth which cannot apply for an extension in the current open call but the November 2018 call is leaving it too late to avoid a break in activity.
June / July 2018	An information event to be held for project sponsors around submitting timely and fit for purpose claims, to avoid slippage in payments
On-going	Work with the Managing Authority to understand potential issues with project claims, and liaise with projects to avoid slippage
Ongoing	Increase pro-active engagement prior to official calls being launched, to begin developing pipeline and assisting applicants with proposals.
Ongoing	Continue targeted promotion of European Funding as an opportunity for applicants. This is one of the few remaining forms of grant funding with the potential of obtaining a maximum of 60%.
Ongoing	Consider projects submitted seeking other TVCA funds to assess eligibility for ERDF. Encourage those potentially eligible projects to make an application where there is a live call. TVCA funds could be used as eligible match and result in a stronger project proposal.
Ongoing	Maintain a pipeline of potential projects and ensure regular contact with the lead offering support as required.
Ongoing	Engage with government to influence the design of the new Shared Prosperity Fund which will be available from 2021.
Ongoing	Ensure that use of ESIF Funds is considered for all Combined Authority projects requiring funding, for example in delivering Sector Action Plans.

## ESF ACTION PLAN

From Dec 17	Following receipt of IB status, work with the Managing Authority to advise on timing of future calls
February 2018	Cabinet approval of the Combined Authority Skills Strategy – <i>Inspiring our Future</i>
March 2018	DWP confirm extension opportunity to existing project delivery
March –May 2018	Growth plans for existing projects developed, submitted to DWP and formally considered by DWP for extension  Consideration of potential for utilising Adult Education Budget as match funding for delivery post devolution in August 2019
April 2018	Opt-ins for Big Lottery Fund, ESFA and DWP to be confirmed, this informs potential for open call procurement
April –May 2018	Open call specifications drafted for submission as soon as funding availability confirmed by DWP
July 2018	YEI confirmed as extended, subject to national future performance targets (N+3)
Dec 2018	National performance targets confirmed and projects continued or notice provided to close
March 2019	All contracted provision confirmed to end 2023
Post March 2019	Confirmation to be provided by DWP if any additional contracts can be funded

**AGENDA ITEM 12**

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

**1 JUNE 2018**

**REPORT OF: HEAD OF TRANSPORT**

**PORTFOLIO: TRANSPORT**

**DARLINGTON 2025 MASTERPLAN DELIVERY**

**SUMMARY**

The purpose of this report is to inform Cabinet of the joint proposal by the Combined Authority ("TVCA"), Network Rail ("NR") and Darlington Borough Council ("DBC") to work together to bring forward a Business Case for the Darlington 2025 project for submission to Department for Transport's Rail Network Enhancements Pipeline.

The paper also seeks approval for an immediate additional contribution of £3 million of Combined Authority funding to support the next stage of development and design of the proposal.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Note the progress to date and the work being carried out by TVCA, DBC and NR to bring the Darlington 2025 project forward;
- ii. Subject to due diligence make available an additional investment of £3 million of Combined Authority grant funding into the Project, to support the next stage of development and design;
- iii. Delegates the finalisation of the funding and associated contractual arrangements to the Managing Director and the Finance Director.

**DETAIL**

1. Darlington Station is the key rail gateway to the Tees Valley. This Grade 2\* listed building carries over 2.2 million passengers a year. As 2025 marks the 200<sup>th</sup> anniversary of the first passenger railway journey between Darlington and Stockton and with HS2 coming and Northern Powerhouse Rail in development it is increasingly important that a modern rail hub for a modern economy is delivered for the area.

2. The Darlington Station Growth Hub project will transform the area around the station, unlock capacity on the East Coast Main Line and ensure that the area is HS2 and Northern Powerhouse Rail ready.
3. Darlington Station is a Strategic Economic Centre incorporated into Transport for the North's 'Northern Powerhouse Rail' (NPR) proposals. Transport for the North's NPR project proposes 4 additional fast services on the Newcastle – Darlington – Leeds corridor with a transformational journey time of one hour. This could change how businesses collaborate and assist in delivering the transformational economic scenario envisaged by TfN's Independent Economic Review. The re-design of Darlington Station is essential to accommodating these services.
4. Darlington has been identified as an important calling point for HS2, and will be the Tees Valley's access point to the HS2 network. HS2 provides an opportunity for faster journeys to key locations and for more services. HS2 will better link the advanced manufacturing, bio-pharmaceuticals and energy industries of the Tees Valley with clusters and innovation hubs in the west and West Midlands. The Darlington 2025 project allows for a new platform to accommodate HS2 services, ensuring the Tees Valley is HS2 ready.
5. Most crucially for the Tees Valley, the scheme will enable improved local rail services throughout the area. Over 30 local rail stations connect to Darlington Station, many of which rely on this connection to access national and mainline services, and in the future HS2. Currently local services from both the west and the east have to cross the East Coast Mainline south of the station to access platforms, and this causes interruption and delay to both local and mainline services.
6. This conflict limits the number of services that can be provided on both the local and national rail network, and does not allow for any future growth in the number of services. The current situation also makes it impossible to run a 'clockface' timetable for local services, a key ambition for improvement of the local rail network, and makes it impossible to properly integrate national and local services.
7. Darlington station plays a key role in the operation of the local rail network. Middlesbrough, Stockton, Hartlepool and Sunderland all have significant populations. The combined total of 852k is on a par with the Leeds urban area, and is significantly greater than the population of Liverpool. Yet both these places have extensive local rail networks with frequencies on all local routes of at least 4 trains per hour, and regular fast services to major conurbations, unlike much of the Tees Valley and Wearside.
8. The only part of the Tees Valley network that has a frequency of 2 trains per hour is between Darlington and Saltburn. In addition there are no direct train services between Darlington, Hartlepool and Sunderland. This paucity of train service must inevitably reduce opportunity in the area, as access to jobs and business to business connectivity is impeded. There is no prospect of improving local services without works at Darlington Station to separate these trains from services using the mainline.

9. The Darlington Rail Station improvement is integral to our emerging Strategic Transport Plan and the ambitions of our Strategic Economic Plan. Providing an attractive rail system will allow alternatives to the private car and enable integration with bus and sustainable modes. In 1825 the Tees Valley was where the modern passenger railway was born, and the Darlington 2025 project will deliver a fit for purpose rail gateway to the Tees Valley in time for the 200<sup>th</sup> anniversary of this globally significant event.

## **BENEFITS OF THE SCHEME**

10. Darlington 2025 delivers:
  - An improved franchise offer for passengers and better connectivity across the Tees Valley and sub-region and the potential for a step-change in the quality of local rail services;
  - The ability to redesign train services so that they are faster, more frequent and tailored to meet the needs of local people rather than the constraints on the network;
  - Improved connectivity into the national rail network – making local and national connections work; and
  - Extra capacity to ensure the area is ready for new train services provided by HS2 and Northern Powerhouse Rail.
11. Key to the overall masterplan is that this is not just a rail project. It is an integrated development in which investment in the station and its infrastructure also unlocks regeneration and economic growth through new commercial and residential development around the station. It is forecast to deliver £939m of GVA for the regional economy, create 3100 jobs, up to 1500 new houses and deliver a Benefit to Cost Ratio (BCR) of 10.2 – 1.

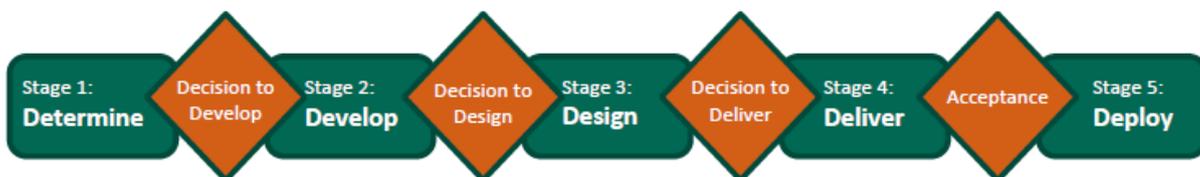
## **PROJECT GOVERNANCE**

12. On the 26<sup>th</sup> of March 2018 the first meeting of a Programme Board to help deliver the Darlington 2025 Masterplan was held. The Board is Chaired by the Tees Valley Mayor and its members are:
  - Chair of the TVCA Transport Committee
  - TVCA Investment Director
  - DBC Chief Executive
  - DBC Director of Economic Growth
  - NR Route Managing Director: London North East and East Midlands
  - NR Investment Director: London North East and East Midlands
13. The expectation is that the Department for Transport will join the Board, and at the appropriate point the Managing Director of East Coast Trains. The Board will meet approximately every two months, and a series of officer working arrangements will be put in place working to the Board. A technical workshop with Network Rail took place on 24<sup>th</sup> May, to plan the work and develop the timetable.

## **THE RAIL NETWORK ENHANCEMENTS PIPELINE**

14. Government is taking a new approach to the way it incorporates enhancement schemes in to the railway network. It is creating a rolling programme of investment that moves investment in Enhancements away from a rigid five year cycle.

15. This is an entirely new way of establishing Enhancement projects for rail investment and requires a new approach to scheme development. New guidance places a strong emphasis on development of the Business Case for projects. The process has five stages and projects can enter the process at any stage depending upon their readiness and the strength of their business case. This will be DfT's new mechanism for bringing forward enhancement projects and releasing funding.



16. The Darlington 2025 scheme has both local and national benefits. The local benefits accrue to the Tees Valley through enhanced economic activity and competitiveness and through the ability to greatly improve local rail services. The national benefits accrue to DfT, HS2 and economies throughout the north of England through the released capacity on the East Coast Main Line delivered by the scheme.
17. Owing to the mix of both local and national benefits realised by the scheme, a request has been made to Department for Transport for a financial contribution towards the development of a full business case for the proposal. Subject to the response of the Department to this request, the contribution of the Combined Authority to funding this work as outlined in recommendation ii may vary.
18. The Programme Board are keen to build momentum in the development phase of the scheme. A Terms of Reference for the Group has been agreed, and a Memorandum of Understanding will be developed. Key activities for the Programme Board in the short term are:
- Assess the current level of scheme development as reflected in previous work via the Masterplan and other activity in order to assess how it fits the new 5 stage process as defined by DfT;
  - Review current outputs against Network Rail's GRIP process; and
  - Develop a detailed, agreed specification for the development work required to reach the Outline Business Case (OBC) required by the new guidance. This will focus on high-risk items in the project so that these are fully understood and costed.

## **TIMESCALES**

19. The intention is to complete a Strategic Outline Business Case and achieve from DfT a 'Decision to Develop' by end Summer 2018. The scheme will then be developed across the first half of 2019 with an intention to achieve 'Decision to Design' by the end of 2019. The £3 million funding requested in this report is an additional contribution to allow the project to be developed to this timetable. Additional phases of funding will be required as the work is developed. The scope for a local contribution to the final project costs is discussed further in the paper on this Cabinet Agenda on the Transforming Cities Fund.

## **FINANCIAL IMPLICATIONS**

20. Approval of this proposal will accept the project in to the Investment Plan committing £3 million of Grant funding from the TVCA's single Capital Pot. This funding will be subject to appropriate due diligence through the Tees Valley Assurance Framework
21. Early indications are that the Darlington 2025 scheme will cost in excess of £100 million, although the benefits accrued to the local, regional and national economy are significantly higher than this. In order to ensure delivery of the scheme it is likely that a local contribution to the Capital cost of the scheme will be required. This is discussed further, in the context of the Combined Authority's wider role on public transport investment, in the separate paper to this Cabinet meeting on the Transforming Cities Fund.

## **LEGAL IMPLICATIONS**

22. There are no specific legal issues arising from the provision by the Combined Authority of funding for the Project as set out above. The Combined Authority will use its standard funding agreement to govern the terms of its funding in to the project.

## **RISK ASSESSMENT**

23. This Darlington 2025 report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **CONSULTATION**

24. The Darlington 2025 project has been subject to consultation and information dissemination as part of the initial master planning work undertaken by ARUP. A launch event to outline the masterplan's vision has been held and associated publicity material produced.

**Name of Contact Officer:** Mark Wilson  
**Post Title:** Head of Transport  
**Telephone Number:** 01642 524 453  
**Email Address:** mark.wilson@teesvalley-ca.gov.uk

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**AGENDA ITEM 13**

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

**1 JUNE 2018**

**REPORT OF STRATEGY DIRECTOR**

**DIGITAL SECTOR ACTION PLAN**

**SUMMARY**

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

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approve the findings of the Digital Sector Action Plan.
- ii. Approve the submission of an Expression of Interest for the 5G Urban Connected Communities project by 12 June with agreement of an Expression of Interest to be delegated to the Mayor, the portfolio lead and the MD.

**DETAIL**

1. At the December 2017 Cabinet Meeting, the overview document for the 7 Sector Action Plans<sup>1</sup> was discussed. Although this document provided clear strategic direction across the 7 priority sectors and 1 cross cutting sector, it was agreed that Cabinet would be provided with each of the Sector Action Plans.
2. The attached document (Appendix A) contains the second completed Sector Action Plan, which is for the Digital Sector and also contains a foreword by the Acting Sector Champion, Lynsey Robinson of Digital City, as well as a list of indicative activities.

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

3. All existing indicative activities, across each of the 7 Sector Action Plans have already been collated and presented to Cabinet in the Sector Action Plan Overview Document in December 2017. Of these, 7 interventions were shortlisted for immediate action and are currently subject to due diligence in line with the Assurance Framework. Going forward, it is anticipated that the subsequent roll out of the remaining 5 Sector Action Plans and Circular Economy Cross Cutting Theme Plan will augment the existing project pipeline.
4. The remaining Sector Action Plans will be submitted on a rolling basis across the scheduled Cabinet Meetings in 2018.
5. As part of the work to develop the Digital Sector Action Plan, the Combined Authority and Teesside University is developing proposals for a joint approach to the delivery of a Digital Strategy for Tees Valley, including the Digital City activities. These proposals will be brought to Cabinet for detailed consideration.

### **5G Urban Connected Communities Pilot**

6. An opportunity to be considered as the next 5G urban pilot area has been issued by the Department for Culture Media and Sports (DCMS) with a deadline of expressions of interest of 12<sup>th</sup> June. This opportunity is open to urban areas with a population of over 500,000 which includes 12-15 areas across the UK. However, DCMS has indicated that they will be prioritising combined authority and devolved administration areas.
7. The pilot would unlock £50-100m of funds with significant involvement from the private sector and would need to focus on the opportunities that 5G would unlock across a number of themes, potentially including: industrial digitisation, transport, health, and tourism and culture. The Expression of Interest will not commit the Combined Authority to any funding. Workshops are being held with DCMS in May and they will work with areas over the summer to work towards one area being chosen for the pilot. A similar opportunity for rural areas will be launched later in the summer and an opportunity for a smaller scale pilot is also anticipated later in the year.
8. It would be beneficial to submit an Expression of Interest in this urban pilot opportunity to ensure that we also are considered for other opportunities that arise.

### **FINANCIAL IMPLICATIONS**

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

### **LEGAL IMPLICATIONS**

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

### **RISK ASSESSMENT**

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

### **CONSULTATION**

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

**Name of Contact Officer: Keith Wilson**  
**Post Title: Economic Strategy and Intelligence Manager**  
**Telephone Number: 01642-632004**  
**Email Address: keith.wilson@teesvalley-ca.gov.uk**

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# Digital Sector Action Plan

June 2018



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# 1. Foreword

## Introduction from Lynsey Robinson, Acting Tees Valley Sector Champion

- 1.1 The Tees Valley digital sector is truly a creation of the region, largely home grown and with many of our founding entrepreneurs starting businesses straight from full time education. Such technology led growth, is both the envy of other sectors in Tees Valley and also a source of potential opportunity.
- 1.2 Tees Valley leads the way in a number of sectors, such as Artificial Intelligence, Virtual Reality and use of Big Data (in particular the Internet of Things) which have significant applications for a number of our other priority sectors, in particular chemicals and advanced manufacturing. The application of such locally sourced technology will not only enhance the productivity of these priority sectors but because many of them are foreign owned, could provide an international showcase of what Tees Valley digital companies can deliver.
- 1.3 The sector has significant ambition and although we have the potential to have the next northern unicorn<sup>1</sup>, there is presently a lack of critical mass in the sector to enter large supply chains and avail of national research funding. In addition, because of the fast growth and technology orientation of so many local companies, there is often a skills deficit in core functions like HR, marketing and finance. Therefore my challenge to the sector is to not only encourage more collaborative working, but to build team capacity in those companies with the most significant growth potential.
- 1.4 This report identifies a wider number of actions, but my immediate priorities include:
  - **Growth of the sector**
    - Growing companies of scale through the provision of specialist in-company support (particularly developing leadership and preparing teams for growth);
    - Support for new digital start-ups and spinouts from traditional sectors providing new technology based services;
  - **Collaboration:**
    - By encouraging greater collaboration between companies, so they can invest in innovation and gain access to more sophisticated supply chains, particularly within the Tees Valley based chemicals and advanced manufacturing sectors;
  - **Infrastructure:**
    - Provision of 'fit for purpose managed accommodation' which is flexible and affordable, but above all facilitates networking and collaborative working;
  - **Recognition**
    - Raise the profile and understanding of the tech sector in Tees Valley to support growth of businesses and attraction of talent and new opportunities; and
    - To become a leading pilot area for the application of digital tech.

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<sup>1</sup> a unicorn refers to any tech startup company that reaches a 1 billion dollar market value



## 2. Introduction

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

### Sector definition

- 2.5 Digital businesses around the world are driving a technological and economic revolution, which is transforming the way in which we live, work and play. The UK is currently one of the world's leading digital economies, recognised for its cultural institutions, creative industries, improving infrastructure environment as well as its increasingly digitised public and private sector service delivery.
- 2.6 The refreshed Strategic Economic Plan (SEP) provides the following definition:
- **Digital:** a growing specialism for the Tees Valley, driven by the Digital City partnership and which emphasises the local importance of:
    - **Animation and media-based services**, with access to high quality skills; and
    - **Software and technology solutions**, including shutdown, process management simulation software and energy sector financial modelling.
- 2.7 A detailed sectoral definition is contained in Appendix A

### Strategic Economic Plan (SEP) Target

- 2.8 The sector currently employs circa 5,000 people full time in the Tees Valley with a GVA per head of £57,000 equating to £285million of output (3% of the Tees Valley economy). The SEP has a target of creating an additional 2,000 digital jobs and increasing GVA per hour by 30%.

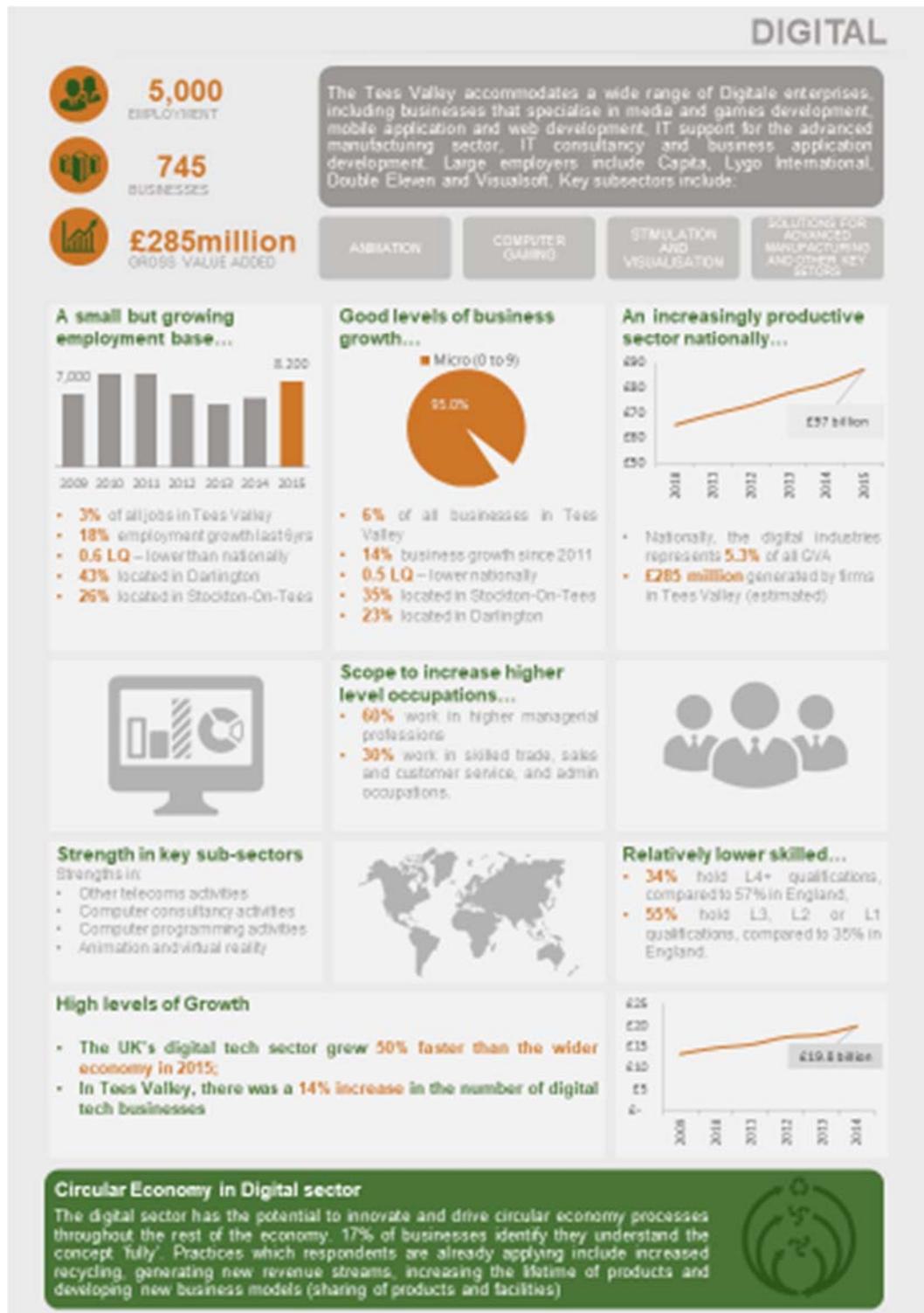
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<sup>2</sup> Advanced manufacturing, process, chemicals and energy, logistics, health and biologics, culture and leisure and business and professional services,

## Statistical Overview

2.9 Figure 2.1 provides a summary of information on the digital and creative sector. This has been developed by analysing secondary data, primary research (business survey, consultations and focus groups) and relevant literature:

Figure 2.1 Summary Data: Digital Sector



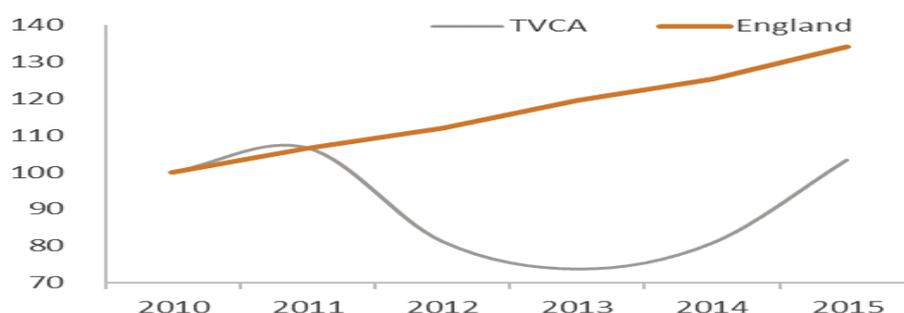
Source; Regeneris/Tech Nation Report

## 3. How does the Sector Compare?

### Historical Comparison

- 3.1 The digital and creative sector contributed over £97 billion GVA to the UK economy<sup>3</sup> in 2015, accounting for around 10% of the whole economy. Using assumptions made by the ONS Digital Sector Economic Estimates, it is assumed that the digital sector in the Tees Valley area produces £285million GVA per annum or circa 3% of total output. This is equivalent to £57,00 GVA per FTE, compared to the regional average of £46,800.
- 3.2 There has been significant turbulence in the Tees Valley digital economy over the last five years, with a 24% fall in GVA between 2010 and 2013, although performance has recently recovered. The sector largely operates within the confines of the North Eastern economy and does little cross-sectoral selling. Any down turn in the regional market is felt disproportionately within the Tees Valley digital and creative sector.

Figure 3.1 GVA Performance for Tees Valley against national performance



Source: DCMS Digital Sector Economic Estimated

The Tees Valley Business Survey found that digital and creative businesses in the Tees Valley area have experienced good performance over the last 12 months, with 48% improved performance compared to 43% across all sectors. Some of the reasons for improved performance include: the introduction of new products or services, expanding into new markets, having a formal plan or strategy for growth and investment in new technology or premises. Also over 92% of firms stated that they expect to grow over the short to medium term.

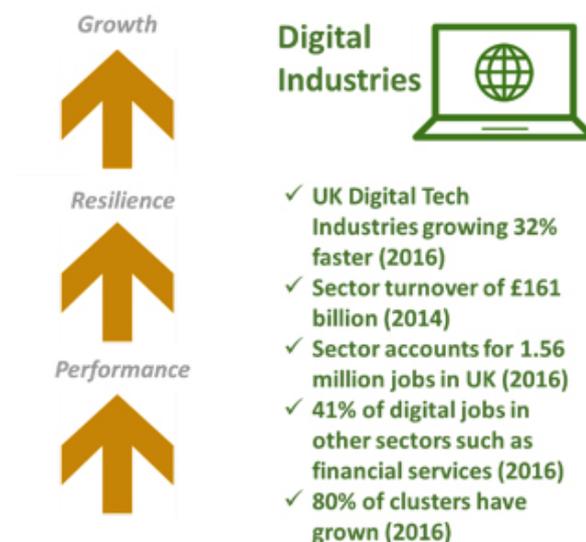
There are still a number of challenges for digital and creative businesses in the Tees Valley area, including reduced customer confidence following the Brexit vote and access to new markets or supply chains (over 52% of companies export and of that 70% export to the rest of the European Union). The sector continues to compete more on price than quality.

<sup>3</sup> Business Structure Database (2015)

## International Comparison

- 3.3 The World Economic Forum's Networked Readiness Index is a key indicator as to how well an economy is using information and communications technologies to boost competitiveness and well-being. The United Kingdom is currently ranked eighth in the world, with strong performance in the political, regulatory and business environment, individual usage and economic and social impact usage. Areas where the UK has weaker performance is on business usage of the internet, skills and affordability (UK is ranked 53<sup>rd</sup> on this indicator). More needs to be done to improve the UK's competitive advantage in this regard.
- 3.4 The creative and digital sector has continued to make a growing contribution to international economies, including the UK and proven to be resistant to global recession and austerity. There are a variety of bodies and organisations that continue to drive the sector forward. The following headline indicators help to demonstrate the scale and economic importance of the sector nationally (Figure 3.2).

Figure 3.2 Digital Sector UK Value



Source: CIC, Tech City, Regeneris, 2016

- 3.5 In recent years the digital sector in Tees Valley has proved somewhat more vulnerable and less agile than Figure 3.2 suggests. Productivity performance dipped markedly after 2010, and has only recently begun to recover. This coincided with the volatile employment trends noted earlier. The sector remains underrepresented in the Tees Valley area, and employment growth has been sporadic across sub-sectors. This suggests an activity whose resilience has been tested by recent events, but which is marked by potential rather than actual achievement.

**The digital sector employs 4% of the Tees Valley workforce, but has a fast growing business base (14% increase 2011-2015) which now accounts for 7% of Tees Valley companies.**



- 3.6 Although the number of employees declined between 2010 and 2014, there was a net increase of 18% or around 1,250 employees between 2009 and 2015. This is due to significant increases in employment (1,550) between 2014 and 2015. By comparison, over the same period the number of employees in the sector grew by 14% in the NPH and 19% in England. Overall, employment in the sector has grown relatively well since 2009, in keeping with the national performance, with a compound annual growth rate of 2.4%. This compares to a 1.9% growth rate in the NPH and 2.5% in England.

The volatile employment growth performance is reflected in the Tees Valley Business Survey, with 46% of digital and creative businesses recruiting new staff in the last 12 months compared to 56% across all sectors. However companies face **significant constraints in the recruitment and retention of skilled staff, particularly in relation to R&D and customer service.**

- 3.7 Growth is largely indigenous, with little historical evidence of foreign direct investment into the region. According to the ONS, there are currently 745 digital enterprises in the Tees Valley area, representing 3% and 0.4% of the digital business base in the NPH and England respectively. The number of businesses has steadily expanded over the years. The business base has grown by 14% since 2011 with the majority of this growth occurring between 2012 and 2015. Between 2011 and 2016, the compound annual growth rate of digital businesses in Tees Valley was 3.7% compared to 3.8% in the NPH and 4.4% in England.
- 3.8 95% of digital businesses have fewer than 10 employees, while around 4% of digital businesses have between 10 and 249 employees and nearly half these businesses were incorporated within the 5 years while 25% of businesses were incorporated over 10 years ago.

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

- 3.9 At a local level, it is evident that digital activity is a notable strength in Darlington, which has a higher concentration of activity in the sector compared to nationally (location quotient = 1.3). Stockton on Tees has the most businesses in the sector, although Middlesbrough has seen the

largest increase over the five year period at 48% and now totals 142 followed by Stockton on Tees at 33% over the same period.

Table 3.1 Employment and Businesses in the Digital and Creative Sector

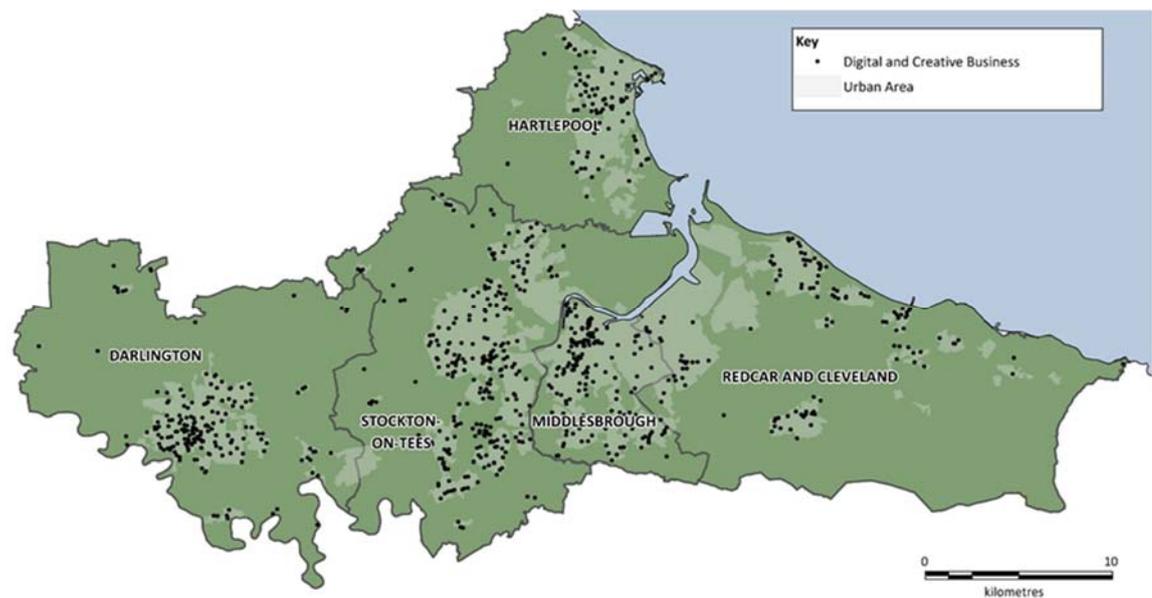
	Employment (2015)				Businesses (2016)	
	No.	Change 2010-15	LQ*	% of Tees Valley	No.	Change 2011-16
Darlington	2,134	0%	1.3	43%	168	+33%
Hartlepool	244	28%	0.2	4%	81	+24%
Middlesbrough	1,037	-5%	0.5	21%	142	+48%
Redcar & Cleveland	305	116%	0.2	6%	96	+19%
Stockton on Tees	1,280	88%	0.5	26%	258	+29%
<b>Tees Valley</b>	<b>5,000</b>	<b>-7%</b>	<b>0.6</b>	<b>100%</b>	<b>745</b>	<b>31%</b>

Source: BRES (2015), UK Business Count (2016)

Note: \* - LQ (Location Quotient) shows how concentrated activity in the sector is in an area compared to nationally. A location quotient above 1 shows that activity is more specialised in an area than nationally.

3.10 The figure below illustrates the location of all companies across the Tees Valley:

Figure 3.3 Location of Digital Businesses



Source: FAME Database

3.11 A more granular look at the digital sector can provide an indication of sub-sector strengths in the Tees Valley area. In terms of employment, the top 3 sectors in 2015, accounting for 63% of all digital employees, are shown in the table below:

Table 3.2 Employment in top 3 digital sub-sectors, 2015

Sub-sector	Number of employees	% of total	Change 2009 to 2015	Location Quotient
Computer consultancy activities	1,950	39%	+75%	1.0
Computer programming activities	700	9%	+327%	0.8
Other information technology and computer service activities	500	6%	+43%	0.7

<b>Total</b>	<b>3,150</b>	<b>63%</b>	<b>66%</b>
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Source: ONS, 2016

Note: the location quotient compares the concentration of employees in the sub-sector in the TVCA area, relative to the concentration of employees in the sub-sector in England.

- 3.12 The top three sub-sectors have had significant growth in employers, both above the 14% growth rate for the sector in Tees Valley and (for two of them) the 44% growth rate across the UK. Although all three are either at or below the regions location quotient, such growth rates indicate a region with significant growth potential.

### **The digital sector is optimistic about growth and future job prospects...**

- 3.13 Digital businesses are among the most optimistic about their future performance, with 92% of respondents expecting to experience growth in turnover in the short to medium term. This is higher than across other sectors of the economy (89%). The primary reasons for expected growth in the digital sector in the short to medium term are stronger marketing, expanding into new markets, introducing new products or services and an improvement in the demand in markets.
- 3.14 Digital and creative businesses in the Tees Valley area are also the most optimistic about productivity growth over the short to medium term, with 83% of respondents planning to make improvements, a higher proportion than the sector-wide level (77%).

The key barriers that were identified by Tees Valley digital and creative businesses are access to new markets or supply chains (42% of businesses), the availability of skills (31%), access to finance (29%) and the lack of a business-friendly environment (25%). This compares to the 2017 Tech Nation report which highlighted the following growth challenges: 57% cited limited access to highly skilled workers, 48% cited limited digital infrastructure, 45% cited limited investment opportunities and 41% cited low levels of awareness of a local digital industry.

## 4. Asset Base and Ecosystem

4.1 The table below identifies the major innovation, learning and other assets within the TVCA area:

Asset	Sector-Specific Offer
<b>Education and Skills</b>	
Teesside University	Offers a wide range of courses in the sector including computer animation and visual effects, computer games, computing and web, performing arts and music and art and design. Qualifications are available at foundation, undergraduate and postgraduate level.
Apprenticeship Hub	A one-stop shop advertising apprenticeship opportunities in the area.
Careers Hub	Offers resources and guidance to show the wide range of progression routes and career opportunities available within Tees Valley
Tees Valley Skills Event	An annual event targeted at 13 to 18 year olds, exhibiting Tees Valley employers, universities, and learning and training providers. The event aims to highlight routes to employment, education, apprenticeships and training and to showcase the digital and creative sector as well as other target industries.
<b>Sites and Facilities</b>	
Boho Zone, Middlesbrough	Digital, creative and business hub offering high quality space for digital media, digital technologies and creative businesses.
Digital House, Fusion Hive, Stockton	A 36,000 sq ft facility offers flexible working spaces for around 60 small and medium sized enterprises in the digital and scientific sectors.
<b>Support and Business Networks</b>	
Digital City	Provides start-up grants (including Launchpad Fuel £10,000 grant to graduate entrepreneurs), an investment programme and an innovation programme (business support) to businesses in the digital sector. Recognised as an exemplar initiative, which is building on Teesside University's expertise in the sector.
North East Digital Catapult Support	Its main purpose is to enable start-ups and scale-ups to work with large organisations, by educating traditionally non-digital companies on the value of emerging technologies. The team successfully run one of the Digital Catapult Immersive Labs and is ready to launch an Emerging Technology Centre (PROTO) in Summer 2018.
Tees Valley Business Compass	Provide relocation grants, support and advice on financing.
Tees Valley Apprenticeship Support for Employers	There are two separate and distinct offers of grant which employers can apply for provided that their apprentice is following a recognised Apprenticeship Standard or Framework and all other eligibility criteria are met. Grant A: A grant of £2,500 per apprentice for small to medium businesses (249 or less employees) from Tees Valley Combined Authority's identified priority sectors who employ an apprentice aged 19+, working towards a Tees Valley Combined Authority recognised priority sector specific qualification from the Apprenticeship Standards or Frameworks (up to a maximum of three apprentices per year), or Grant B: An initial grant of £500 per apprentice for small businesses (49 or less employees) who employ an apprentice aged 19-24. In order to encourage high quality and sustainable employment for the apprentice an additional £500 will be paid if the apprentice continues to be in employment more than 13 months after the date of starting their apprenticeship (up to a maximum of three apprentices per year).
Tees Valley Catalyst Fund	Businesses can apply for short-term finance to fund performance investments from £100,000 to £2million. Finance is available for anything up to 24 months.
Animex	The UK's largest festival of animation and computer games, hosted annually and attracts companies such as Pixar and Dreamworks.
Showcase Digital Conference	An annual conference organised between Google's Digital Garage, The Chartered Institute of Public Relations and Teesside University.

SSI Taskforce Funding	Secured £80 million of government funding in response to the closure of the steelworks in Redcar. A number of new funds have been designed to support companies and individuals affected by the closure, plus a grant scheme available for other Tees Valley companies who can demonstrate local growth and expansion opportunities.
Northern Powerhouse Investment Fund	NPIF provides commercial finance through three types of product funds: Microfinance, Debt Finance and Equity Finance. These funds provide funding options are designed to plug common gaps in the provision of finance, giving your business access to the funding it needs to help it grow.
<b>Other Enabling Infrastructure</b>	
Durham Tees Valley Airport	Currently has passenger routes to Amsterdam Schiphol (KLM) and Aberdeen (Eastern). Developments planned for the future.
Rail	Passenger and freight connections going South to London and North to Glasgow and Edinburgh.
Roads	A1(M) and A19 provide a link to the North and South while the A66 provides a link to the West.
Broadband	93% of the Tees Valley region can access a superfast broadband network with ambitions to exceed 98% coverage by the end of 2019.

Source: Regeneris Consulting, Desk based analysis, 2016

## 5. Trends and Policy Context

Table 5.1 Summary Pestle Analysis: Digital and Creative Sector

Issue	Impact on Sector
<b>Political:</b>	
<ul style="list-style-type: none"> <li>• Devolution</li> <li>• Relationship with Northern Powerhouse</li> <li>• Industrial Strategy and possibility of national sector deal</li> <li>• UK Government policy commitment to digital as a sector and enabling technology</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility to unlock contracts for public service delivery channel shift</li> <li>• Scope for investment in infrastructure and new facilities to help business grow</li> <li>• Opportunities for a sector deal, either for the digital sector itself, or industrial digitisation for priority sectors such as chemicals, logistics and/or advanced manufacturing.</li> </ul>
<b>Economic</b>	
<ul style="list-style-type: none"> <li>• BREXIT</li> <li>• Immigration framework</li> <li>• Exchange rate</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertainty among clients could delay investment decisions and make it harder for digital businesses to export to Europe. However, the sector has stronger ties to North America and other Anglophone areas, which may offset some of the impact of Brexit.</li> <li>• Changes to immigration framework may impact on the sector's ability to recruit talented people readily from Europe, but could lead to enhanced recruitment from other tech hot spots such as India, China and Anglophone countries</li> </ul>
<b>Social/Cultural</b>	
<ul style="list-style-type: none"> <li>• Changing patterns of work and leisure</li> <li>• Digitisation of social and cultural life</li> </ul>	<ul style="list-style-type: none"> <li>• Growing leisure time economy and rise of digital tools is creating a growing market for the digital and creative sector, particularly in relation to use of big data for consumer trends and animation/virtual reality for customer experience</li> </ul>
<b>Technological</b>	
<ul style="list-style-type: none"> <li>• Automation, digitisation, data and communications are all driven by new technological developments.</li> </ul>	<ul style="list-style-type: none"> <li>• The increasingly pervasive role of digital in all aspect of the economy and on-going waves of innovations will continue to create new opportunities for growth, in particular opportunities arising from the use of big data and the internet of things.</li> </ul>
<b>Legislative</b>	
<ul style="list-style-type: none"> <li>• Cyber security and data protection</li> </ul>	<ul style="list-style-type: none"> <li>• The growing focus on security presents both risks and opportunities to the digital sector.</li> <li>• There is presently a low level of awareness of cybersecurity issues across a range of sectors and particularly SMEs.</li> <li>• Cybersecurity also provides an opportunity to access companies who</li> </ul>

	may be reticent to engage in economic development.
Environmental	
<ul style="list-style-type: none"> <li>• Decarbonisation</li> <li>• Roll of full fibre</li> </ul>	<ul style="list-style-type: none"> <li>• Digital has the potential to reduce the carbon footprint and enhance the productivity of significant chunks of the economy</li> <li>• The internet of things/5G roll out will necessitate extensive investment in physical infrastructure, in particular full fibre cabling and links to 5G masts.</li> </ul>

## 6. Summary SWOT Analysis



**Confidence** – Strong regional capability servicing the Tees Valley . Business base is confident of future growth

**People & Ed** – Strong local recruitment, particularly amongst university graduates

**Innovation** – Good ‘soft ‘ generic innovation support,

**Property** – Good availability of publicly owned sites and new developments.

**Property** – Two recognised hubs which provide a focus for cluster development

**Growth** – Few opportunities for company buy outs and inward investment

**People and Education** – Stiff competition for the retention/attraction of senior staff

**Innovation** – Little evidence of knowledge transfer between sectors and demand for such activity

**Place** – Limited recognition of Tees Valley Digital Proposition

**Property** – Lack of grow on space for the sector

**Finance** – Little access to ‘growth capital’ and specialist financial advice



**Growth** - Significant opportunities for industry 4.0 (industrial digitisation)

**People & Ed.**– Close ties to University, provide opportunity for bespoke training opportunities

**Innovation** – Making best use of regional innovation ecosystem and emerging opportunities in relation to collaborative working

**Property** – Creation of new spaces to create ‘digital enterprise parks’ to encourage cross sectoral collaboration

**Growth** –Too much focus on price sensitive activities, which can be quickly outsourced to more competitive regions

**People and Ed** – High churn of staff and little experience of cross sectoral selling

**Innovation** – failure to engage with ‘globally competitive sectors’

**Property** – Low churn and rental costs leads to viability gaps which prevent future developments

**Infrastructure** –Continued lack of strong air routes to core markets and need for future proof broadband provision



# 7. Indicative Actions

## Emerging Proposition

- 7.1 The sector is constantly evolving, particularly in relation to digital industries and technology-driven sectors. Digital technology and processes are continuing to impact on all aspects of enterprise and life, through convergence, disrupting business practices, transforming relationships with customers and creating new ways to harness the power of big/open data.
- 7.2 The concept of the 4<sup>th</sup> Industrial Revolution ('Industry 4.0' or '4IR') is gathering pace as a driver of change, introducing new technologies and techniques that will change products, processes and supply chains in the manufacturing sector. These changes can create value across the local manufacturing ecosystem (digitisation and servitisation), resulting in increased sales and growth in market share. New technologies will support:

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

Source: EEF, 2016, The 4<sup>th</sup> Industrial Revolution – A Primer for Manufacturers

- 7.3 There has been little evidence of cross sectoral knowledge transfer, particularly to the globally competitive but locally based, chemicals, process and energy sector. There is an emerging opportunity for Tees Valley to become a test bed for industrial digitisation through the use large scale pilot programmes of disruptor technologies, based on digital enterprise parks. One emerging theme is the retrofitting of sensors using 5G Technology and subsequent analysis using big data solutions, with the Wilton Park potentially being a nationally recognised digital enterprise park.
- 7.4 However, for knowledge transfer between sectors to work, much of the emphasis has to be placed on developing the technical awareness of the non tech sectors. There must be more support for supply chain initiatives and partnering across sectors.
- 7.5 Although the sector is growing, it lacks visibility, there is a need for enhanced cluster work to develop critical mass. The sector has specified physical co-location as a key enabler, with the preferred accommodation type being high specification, serviced offices in town centre locations and using the 'Boho/ Fusion Hive Approach'.

Nature of Opportunity/Need	Actions	Timeframe for delivery	Delivery Mechanism
Need to enhance the scale/growth ambition of local digital companies	<ul style="list-style-type: none"> <li>• Development of Tees Tech Entrepreneurs' Club, to encourage early stage business growth</li> </ul>	<ul style="list-style-type: none"> <li>• Preliminary scoping work being undertaken</li> </ul>	<ul style="list-style-type: none"> <li>• Digital City/Sector Led Initiative</li> </ul>

Nature of Opportunity/Need	Actions	Timeframe for delivery	Delivery Mechanism
	<ul style="list-style-type: none"> <li>Creation of a Tees Valley Digital Investment Proposition to attract Foreign Direct Investment;</li> <li>Focused Strategic Account Management to develop scalable companies within the sector;</li> </ul>	<ul style="list-style-type: none"> <li>Proposition document being developed and scoping exercise regarding implementation model</li> <li>Ongoing account management work</li> <li>Preliminary scoping work on scalable companies initiative</li> </ul>	<ul style="list-style-type: none"> <li>Digital City and Local Authorities</li> <li>Delivered by Local Authorities</li> <li>Digital City/Sector Led Initiative</li> </ul>
Addressing the opportunity for enhanced servitisation and digitisation by ensuring knowledge transfer	<ul style="list-style-type: none"> <li>Development of digital needs survey to assess digital economy maturity index (across all sectors)</li> <li>Development of Cyber Resilience Vouchers, particularly related to e-commerce and implementation of ICT systems for business improvement efficiencies</li> <li>Development of collaborative networks to encourage cross sectoral knowledge transfer</li> <li>Development of digital enterprise zone (pilot area for industrial digitisation)</li> </ul>	<ul style="list-style-type: none"> <li>Part of annual Tees Valley Business Survey</li> <li>Preliminary scoping work being undertaken</li> <li>Outline business case developed</li> </ul> <p>Emerging findings from Chemicals Science and Innovation Audit will inform anticipated EoI for 5G Test bed Pilot Programme</p>	<ul style="list-style-type: none"> <li>Combined Authority delivered.</li> <li>Possible delivery by Digital City/Sector Led Initiative</li> <li>Possible delivery by catapult/sector led initiative</li> <li>Combined Authority led</li> </ul>
Ongoing job vacancies and skills mismatch	<ul style="list-style-type: none"> <li>Career inspiration programme for job seekers.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing work</li> </ul>	<ul style="list-style-type: none"> <li>Skills Advisory Boards</li> </ul>
Many job applicants lack basic (often interpersonal) skills	<ul style="list-style-type: none"> <li>Skills diagnostic for business compass</li> <li>In-work training programmes</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary scoping work being undertaken to inform ToR for next ERDF programme</li> </ul>	<ul style="list-style-type: none"> <li>Business Compass</li> </ul>

Nature of Opportunity/Need	Actions	Timeframe for delivery	Delivery Mechanism
	(management and leadership)		
Addressing funding constraints for high tech businesses (Long lead in times and concerns over commercial potential)	<ul style="list-style-type: none"> <li>• Creation of a passive capital programme and additional (sector specific) investor readiness programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Business case being developed</li> </ul>	<ul style="list-style-type: none"> <li>• Combined Authority delivered.</li> </ul>
Need to diversify supply chains and export markets	<ul style="list-style-type: none"> <li>• Foreign Markets Programme- additional wraparound export support</li> <li>• Tees Valley/Mayoral Trade Ambassadors Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Preliminary scoping work being undertaken</li> </ul>	<ul style="list-style-type: none"> <li>• Digital City/Sector Led initiative</li> </ul>
Ensuring that there is 'fit for purpose' business accommodation	<ul style="list-style-type: none"> <li>• Updated Sites and premises study</li> <li>• Continued investment in roll out of Boho Complex/ Fusion Hive Incubation Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Medium term</li> </ul>	<ul style="list-style-type: none"> <li>• Sector led</li> </ul>
Need for enhanced broadband speed and coverage	<ul style="list-style-type: none"> <li>• Roll out of full fibre network approach and possible 5G Testbed programme</li> </ul>	<ul style="list-style-type: none"> <li>• EoI to be submitted summer 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Joint Local Authority Bid</li> </ul>

Regeneris Consulting / TVCA

## 8. Appendix A: Sectoral Definition

Sector	SIC code
Reproduction of recorded media	1820
Manufacture of computers and peripheral equipment	2620
Manufacture of communication equipment	2630
Other publishing activities	5819
Publishing of computer games	5821
Other software publishing	5829
Motion picture, video and television programme production activities	5911
Motion picture, video and television programme post-production activities	5912
Motion picture, video and television programme distribution activities	5913
Motion picture projection activities	5914
Sound recording and music publishing activities	5920
Radio broadcasting	6010
Television programming and broadcasting activities	6020
Wired telecommunications activities	6110
Wireless telecommunications activities	6120
Satellite telecommunications activities	6130
Other telecommunications activities	6190
Computer programming activities	6201
Computer consultancy activities	6202
Computer facilities management activities	6203
Other information technology and computer service activities	6209
Data processing, hosting and related activities	6311
Web portals	6312

Source: Tees Valley Unlimited, 2014

**AGENDA ITEM 14**

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

**1 JUNE 2018**

**REPORT OF  
FINANCE DIRECTOR**

**DRAFT ANNUAL STATEMENT OF ACCOUNTS 17/18**

**SUMMARY**

To present to Members of the Cabinet, the draft financial statements for 2017/18.

**RECOMMENDATIONS**

It is recommended that the Tees Valley Combined Authority Cabinet note the draft financial statements.

**DETAIL**

1. The Authority is required to produce an Annual Statement of Accounts that sets out the financial position for that period. The accounts are prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.
2. The 2017/18 financial statements will, for the first time, incorporate the South Tees Development Corporation to form group accounts for the Combined Authority.
3. The Accounts and Audit Regulations (England) 2015 came in to effect on 1st April 2015. The regulations change the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement.
4. In line with this revised guidance issued by Government the inspection notice and draft accounts are required to be published on the Combined Authority website by the end of May. During this time the public have the right to examine the accounts, question the auditor and to make objections.
5. The attached Statement of Accounts are draft at present and we do anticipate there will be a minor non-material adjustment to be made prior to publication at the end of May once we are in receipt of the relevant information to action the adjustment.

6. During June and July the appointed external auditors, Mazars LLP, will carry out their audit work. The final version of the accounts will be brought back to Cabinet on 27<sup>th</sup> July with the audit certificate required to be signed off by Mazars by the end of July.

### **FINANCIAL IMPLICATIONS**

7. None

### **LEGAL IMPLICATIONS**

8. Regulation 9(1) of the Accounts and Audit Regulations 2015 requires the Authority's Chief Finance Officer to sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the Authority. Regulation 9(2) requires the Statement of Accounts to be approved by members prior to publication. Regulation 10(1) requires the publication of the approved, audited Statement of Accounts by 31st July 2018

### **RISK ASSESSMENT**

9. None

### **CONSULTATION**

10. The draft accounts are required to be published on the Combined Authorities website for a period of 30 days that includes the first 10 working days of June. During this period the public can examine the accounts, question the auditor and to make objections.

**Name of Contact Officer: Julie Gilhespie**

**Post Title: Finance Director**

**Telephone No. 01642 524400**

**Email Address: [julie.gilhespie@teesvalley-ca.gov.uk](mailto:julie.gilhespie@teesvalley-ca.gov.uk)**

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## Tees Valley Combined Authority - Annual Financial Statements 2017/18

### Narrative Report

#### Introduction

Welcome to the Tees Valley Combined Authority's Annual Statement of Accounts for 2017/18. The Statement of Accounts contains all the financial statements and disclosure notes required by statute. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. This Annual Statement of Accounts will, for the first time, be group accounts incorporating Tees Valley Combined Authority and South Tees Development Corporation.

The Tees Valley Combined Authority (TVCA) was established in April 2016 as a new legal body that brings together the five Authorities which serve Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton, alongside private sector representation from the region's Local Enterprise Partnership. The TVCA is responsible for a number of transport functions and economic development and growth across the combined area. In May 2017 the first Tees Valley Mayor was elected to chair the Combined Authority and drive forward our ambitious plans.

Under new legal powers available to TVCA the South Tees Development Corporation (STDC) was established in August 2017 to redevelop the site of the former SSI steelworks which closed down in 2015 following SSI's liquidation. STDC is the first mayoral development corporation outside London.

#### Strategy and Priorities

The ambition is for Tees Valley to become a high value, low carbon, diverse and inclusive economy. These aspirations and goals, along with the Combined Authority's plan for delivering them, are laid down in the refreshed Strategic Economic Plan (SEP), published in December 2016. Our ambition incorporates economic, social and environmental priorities and will allow all partners to work towards a sustainable and socially responsible Tees Valley.

Underlying this ambition is a commitment to improving the lifetime opportunities for local people, tackling some of the difficult challenges of social exclusion, providing opportunities across all of the Tees Valley including rural areas and disadvantaged communities, thereby ensuring that all citizens are able to share in the benefits of economic growth. The SEP is focused around six thematic building blocks which reflect the main priorities and areas of activities over the next ten years to unlock transformational growth:-

- **Business Growth:** Further increase jobs and business density through targeted support to create and attract new companies and to grow businesses and sectors with high growth potential;
- **Research, Development, Innovation & Energy:** Further enhance productivity in all core sectors through the commercialisation of knowledge;
- **Education, Employment & Skills:** Ensure a labour market which meets the needs of local business and supports the lifetime opportunities of all our residents;
- **Place:** Promote the Tees Valley as the preferred location in the UK for energy intensive indigenous firms and Foreign Direct Investment and create the conditions necessary to attract businesses and individuals with a focus on vibrant town centres;
- **Culture:** Change the external perceptions of Tees Valley through the arts, cultural and leisure offer, create places that attract and retain businesses and business leaders, and make the area an attractive place to live, work and visit; and
- **Transport & Infrastructure:** Facilitate local, regional, national and international road, rail and broadband connectivity through collaborative investment in physical infrastructure.

### **Narrative Report**

The Tees Valley Combined Authority's first Investment Plan was published and agreed in March 2017. For the first time, the Tees Valley was able to bring together multiple government funding sources, previously determined in Westminster and Whitehall, into a "single pot" for local decision-making. The Investment Plan described how £464 million of investment was being invested through a 5 year programme from 2016-2021. The Investment Plan also demonstrated how the Combined Authority would:

- actively support project development;
- respond flexibly to opportunities;
- build an asset base to be used for future re-investment;
- seek innovative partnership and commercial funding models;
- continue to secure further resources into the local fund;
- explore borrowing powers and take a commercial approach to assessing and managing risks;
  
- invest in strong proposals for the best value for money; and
- work to the agreed Assurance Framework.

The Vision for the South Tees regeneration programme is to see the area transformed into a hotbed of new industry and enterprise for the Tees Valley that makes a substantial contribution to the sustained economic growth and prosperity of the region and the communities it serves.

In October 2017 the South Tees Development Corporation masterplan was launched which presents the vision, strategy and ideas for the transformational regeneration of the area into a world class employment-generating zone and economic growth enabler for the Tees Valley. The total area of opportunity extends to almost 4,500 acres (1,800 hectares). The masterplan for the redevelopment of the site has been agreed with the long term view to redevelop the site to provide a high value, low carbon, diverse and inclusive economy. Creating significant employment prospects for the area.

The Vision of the STDC masterplan sees the creation of up to 20,000 new jobs. The focus is on higher skilled sectors and occupations, centred on manufacturing innovation and advanced technologies and those industries best able to deliver sustained economic prosperity for the Tees Valley and its people, while realising a jobs spectrum that offers opportunities for all. The strategic plan to redevelop the site is set out in the masterplan which is available on the website [www.southteesdc.com](http://www.southteesdc.com)

### **Achievements in Year**

2017/18 was only the second year of operations for TVCA and we have successfully built on the work undertaken in the first year to prepare the organisation to undertake new devolved responsibilities. We have developed strategies and plans to shape future priorities and investments to meet our aims and objectives. Spend has been accelerated to start to deliver on a number of projects and programmes whilst also committing to new projects which match our ambitious plans. We have continued to strive for further devolved powers whilst securing additional funding from Government to fund our investments. A summary of these can be found below:-

- In August 2017 we established the first Mayoral Development Corporation to be set up outside of Greater London with the Masterplan for the site being launched in October.
- A draft Strategic Transport Plan has been developed to address transport issues in the Tees Valley and present a vision for the future
- Our "Inspiring our Future" strategy was launched to transform education, employment and skills and increase residents access to the planned 133,000 jobs available in Tees Valley by 2024
  
- A move to low-carbon, clean energy offers a remarkable economic opportunity for our area and during the year we were recognised by Energy Minister Claire Perry as the leading area for Carbon, Capture and Storage through the Teesside Collective

### Narrative Report

- In March we launched "Enjoy Tees Valley" – a new destination marketing initiative that will promote local culture and attractions, and includes a new website.
- We have continued to support business growth with more than 1,000 businesses engaging with Business Compass this year, and 672 companies electing to receive intensive face-to-face support.
- During the year we have invested £51million on programmes, projects, grant schemes and development funding for future projects.
- In the past year we have secured £67million in Government funding for a much-needed overhaul to our road and rail network, and we will continue to deliver our transformative vision for the future of transport in our area.
- We have secured funding to enable a new £7.5million 'Routes to Work' scheme to help 2,500 long-term unemployed back to work.
- We commenced the Great Place programme to strengthen cultural capacity and activity, creating stronger engagement in Tees Valley supported by £1.5million funding secured from Heritage Lottery Fund.

### Looking Ahead Including Risks and Opportunities

During the coming years we will continue to develop long-term commitments whilst being in a position to be responsive to new ideas and opportunities. We will continue to deliver transformational programmes and improve outcomes as a direct result of local decision making. Through our determination to secure a greater transfer of funding, powers and responsibility from London we aim to establish the Tees Valley as a flagship of successful devolution.

Our ambitious plans will rely on us securing the funding to make them a reality, and as such we will strive for further devolution through our continual dialogue with Government officials. We will continue to build upon our strong track record of securing funding to maximise all funding opportunities available. Through the use of our newly appointed borrowing powers and our partnership working with co-investors we will seek to explore a range of innovative funding instruments to maximise the impact for the area.

The STDC masterplan is an opportunity to enhance the local area through the creation of high quality jobs in industries which are resilient to future change should create an increase in GVA locally and further afield. The initial risks are safeguarding the hazards and progression to land ownership and it is anticipated that these will be resolved in the near term. Medium term risks are of unforeseen issues when redeveloping the site, principally these would be ground conditions but there could also be a similarly small risk of items identified whilst demolition of current structures takes place.

Brexit will have profound implications for the UK, and for the Tees Valley specifically. As one of a small number of areas which qualify for an enhanced level of access to European Funding, the resources available for investment in our economy are at particular risk. But there are also opportunities to develop new methods of funding, which could mean that Brexit actually improves the impact of regional economic development funding for areas such as ours. We will continue to engage with Government on future funding plans post Brexit.

In order to achieve our aims of delivering better outcomes for local people we will continue to build and maintain relationships with key local partners. We will engage with the business community utilising our working relationship with the Local Enterprise Partnership members and key partners.

### Key Sections Included in the Statement of Accounts

**Statement of Responsibilities** - This sets out the respective responsibilities of the Combined Authority and the Chief Financial Officer for the Accounts.

**Movement in Reserves Statement** - This statement shows the movement during the year of the different reserves held by the Combined Authority.

## **Tees Valley Combined Authority - Annual Financial Statements 2017/18**

### **Narrative Report**

**Comprehensive Income and Expenditure Statement** - This account summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

**Balance Sheet** - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

**Cash Flow Statement** - This statement provides a summary of the flow of cash into and out of the Combined Authority for revenue and capital purposes.

**Notes to the Financial Statements** - These include the accounting policies and concepts applied, as well as the disclosure notes relating to the above statements.

### **Borrowing and Lending Arrangements**

During 2017/18, the Combined Authority had no powers to borrow for investment and therefore has no loans.

The majority of the Authority's surplus cash is invested in short-term bank deposits, and money market funds. At the end of the financial year the Authority held investments totalling £91m. The average rate of return on investments was 0.37% and this has generated £395k in interest in the year.

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

In terms of investment strategy, given the increasing risk and falling returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2018/19.

### **Retirement Benefits (IAS 19)**

The Authority is required to comply with the accounting principles as required by International Accounting Standard 19 (IAS19). This requires the cost of retirement benefits to be recognised in the Financial Statements when employees earn them, rather than when the benefits are actually paid as pensions. Disclosure requirements include figures for the Net Pension Asset/Liability and the Pension Reserve in the Balance Sheet. There are also entries in the Comprehensive Income and Expenditure Statement and Movement In Reserves Statement to reflect movements in the Net Pension Asset/Liability from one year to the next. Entries are also required to reconcile back to actual pension contributions payable for Authority tax purposes.

### **Further Information**

Further information about our finances is available from the Combined Authority's website, <https://teesvalley-ca.gov.uk> or from the Chief Financial Officer, Tees Valley Combined Authority, Cavendish House, Teesdale Business Park, Stockton-on-Tees, Tees Valley, TS17 6QY.

**Group Movement in Reserves Statement for the year ended 31 March 2018**

This statement shows the movement in the year on the different reserves held by the gROUP, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Groups services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Transfer from Stockton Borough Council	35,121			35,121		35,121
<b><u>Movement in reserves during 2016/17</u></b>						
Total Comprehensive Income and Expenditure	52,028			52,028	(1,723)	50,305
Adjustments between accounting basis & funding basis under regulations (Note 5)	(40,403)		40,570	167	(167)	-
<b>Increase/Decrease in Year</b>	<b>11,625</b>		<b>40,570</b>	<b>52,195</b>	<b>(1,890)</b>	<b>50,305</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>46,746</b>		<b>40,570</b>	<b>87,316</b>	<b>(1,890)</b>	<b>85,426</b>
<b><u>Movement in reserves during 2017/18</u></b>						
<b>Balance at 31 March 2017 brought forward</b>	<b>46,746</b>	-	<b>40,570</b>	<b>87,316</b>	<b>(1,890)</b>	<b>85,426</b>
Total Comprehensive Income and Expenditure	10,730	-	-	<b>10,730</b>	49	<b>10,779</b>
Adjustments between accounting basis & funding basis under regulations (Note 5)	(5,205)	-	5,637	<b>432</b>	(432)	-
<b>Increase/Decrease in Year</b>	<b>5,525</b>	-	<b>5,637</b>	<b>11,162</b>	<b>(383)</b>	<b>10,779</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>52,271</b>	-	<b>46,207</b>	<b>98,478</b>	<b>(2,273)</b>	<b>96,205</b>
<b>General Fund analysed over:</b>						
Amounts earmarked (Note 6)	51,238					
Amounts uncommitted	1,033					
<b>Total General Fund Balance at 31 March 2018</b>	<b>52,271</b>					

**TVCA Movement in Reserves Statement for the year ended 31 March 2018**

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Transfer from Stockton Borough Council	35,121			35,121		35,121
<b><u>Movement in reserves during 2016/17</u></b>						
Total Comprehensive Income and Expenditure	52,028			52,028	(1,723)	50,305
Adjustments between accounting basis & funding basis under regulations (Note 5)	(40,403)		40,570	167	(167)	-
<b>Increase/Decrease in Year</b>	<b>11,625</b>		<b>40,570</b>	<b>52,195</b>	<b>(1,890)</b>	<b>50,305</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>46,746</b>		<b>40,570</b>	<b>87,316</b>	<b>(1,890)</b>	<b>85,426</b>
<b><u>Movement in reserves during 2017/18</u></b>						
<b>Balance at 31 March 2017 brought forward</b>	46,746	-	40,570	<b>87,316</b>	(1,890)	<b>85,426</b>
Total Comprehensive Income and Expenditure	6,881	-	-	<b>6,881</b>	49	<b>6,930</b>
Adjustments between accounting basis & funding basis under regulations (Note 5)	(5,208)	-	5,637	<b>429</b>	(429)	-
<b>Increase/Decrease in Year</b>	<b>1,673</b>	<b>-</b>	<b>5,637</b>	<b>7,310</b>	<b>(380)</b>	<b>6,930</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>48,419</b>	<b>-</b>	<b>46,207</b>	<b>94,626</b>	<b>(2,270)</b>	<b>92,356</b>
<b>General Fund analysed over:</b>						
Amounts earmarked (Note 6)	47,458					
Amounts uncommitted	961					
<b>Total General Fund Balance at 31 March 2018</b>	<b>48,419</b>					

**Group Comprehensive Income and Expenditure Statement  
for the year ended 31 March 2018**

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices.

<b>2016/17</b>			<b>2017/18</b>		
<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Expenditure</b>	<b>Income</b>	<b>Net</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
6,108	(10,112)	<b>(4,004)</b>	3,130	(2,935)	<b>195</b>
1,631	(4,378)	<b>(2,747)</b>	3,937	(3,394)	<b>543</b>
4,558	(6,827)	<b>(2,269)</b>	6,682	(6,402)	<b>280</b>
25	-	<b>25</b>	685	(676)	<b>9</b>
20,602	(20,863)	<b>(261)</b>	23,338	(23,270)	<b>68</b>
58	(6,679)	<b>(6,621)</b>	11,631	(11,393)	<b>238</b>
1,258	(1,258)	-	3,434	(4,314)	<b>(880)</b>
2,227	(7,028)	<b>(4,801)</b>	1,140	(2,980)	<b>(1,840)</b>
16,505	(16,505)	-	16,628	(16,628)	-
8,259	1,485	<b>9,744</b>	5,152	50	<b>5,202</b>
1,309	(1,237)	<b>72</b>	4,231	(12,717)	<b>(8,486)</b>
<b>62,540</b>	<b>(73,402)</b>	<b>(10,862)</b>	<b>79,988</b>	<b>(84,659)</b>	<b>(4,671)</b>
<b>Financing and Investment Income and Expenditure:</b>					
160	(130)	<b>30</b>	176	(136)	40
	(253)	<b>(253)</b>		(462)	(462)
<b>Taxation and Non-Specific Grant Income:</b>					
-	(373)	<b>(373)</b>	-	-	-
-	(40,570)	<b>(40,570)</b>	-	(5,637)	(5,637)
		<b>(52,028)</b>	<b>80,164</b>	<b>(90,894)</b>	<b>(10,730)</b>
		1,723			(49)
		-			-
		<b>1,723</b>			<b>(49)</b>
		<b>(50,305)</b>			<b>(10,779)</b>



# Tees Valley Combined Authority (Group) - Annual Financial Statements 2017/18

## Group & TVCA Balance Sheet as at 31 March 2018

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	Note	<b>Group</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2018</b> <b>£000s</b>	TVCA 31 March 2017 £000s
<b>Non-current assets</b>				
Long Term Debtors		6,253	6,253	5,013
<b>Total non-current assets</b>		<b>6,253</b>	<b>6,253</b>	<b>5,013</b>
<b>Current assets</b>				
Short term investments		65,000	65,000	50,056
Debtors	10	4,955	5,177	5,966
Cash and Cash Equivalents	11	30,074	26,000	28,002
<b>Total current assets</b>		<b>100,029</b>	<b>96,177</b>	<b>84,024</b>
<b>Current liabilities</b>				
Cash and Cash Equivalents	15	(2,648)	(2,648)	
Short Term Creditors	12	(5,378)	(5,375)	(1,897)
<b>Total current liabilities</b>		<b>(8,026)</b>	<b>(8,023)</b>	<b>(1,897)</b>
<b>Long term liabilities</b>				
Long Term Creditors		-	-	
Other Long Term Liabilities	13 & 20	(2,051)	(2,051)	(1,714)
<b>Total long term liabilities</b>		<b>(2,051)</b>	<b>(2,051)</b>	<b>(1,714)</b>
<b>Net Assets:</b>		<b>96,205</b>	<b>92,356</b>	<b>85,426</b>
<b>Reserves</b>				
<b>Usable reserves:</b>				
General Fund Balance	1	1,033	961	668
Earmarked General Fund Reserves	6	51,238	47,458	46,078
Capital Grants Unapplied		46,207	46,207	40,570
		98,478	94,626	87,316
<b>Unusable Reserves:</b>				
Pensions Reserve	13 & 20	(2,051)	(2,051)	(1,714)
Accumulated Absences Account	5	(222)	(219)	(176)
		(2,273)	(2,270)	(1,890)
<b>Total Reserves:</b>		<b>96,205</b>	<b>92,356</b>	<b>85,426</b>

Mayor Ben Houchen .....

Chair Tees Valley Combined Authority Cabinet  
31st July 2018

## Tees Valley Combined Authority (Group) - Annual Financial Statements 2017/18

### Group & TVCA Cash Flow Statement For The Year Ended 31 March 2018

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way contributions and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

	Note	Group 2017/18 £000s	TVCA 2017/18 £000s	TVCA 2016/17 £000s
<b>Net (surplus) or deficit on the provision of services</b>		<b>(10,730)</b>	<b>(6,881)</b>	(52,028)
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>				
Pension Fund adjustments		(386)	(386)	9
Transfer of reserves from Stockton-on-Tees Borough Council		-	-	(35,121)
Increase/(Decrease) in Revenue Debtors	10	(1,011)	(789)	5,966
(Increase)/Decrease in Revenue Creditors	12	(3,481)	(3,478)	(1,897)
Increase/(Decrease) in Long Term Debtors		1,240	1,240	5,013
		<b>(3,638)</b>	<b>(3,413)</b>	(26,030)
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>				
Capital Grants credited to surplus or deficit on the provision of services		5,637	5,637	40,570
		<b>5,637</b>	<b>5,637</b>	40,570
<b>Net cashflow from operating activities</b>		<b>(8,731)</b>	<b>(4,657)</b>	(37,488)
<b>Investing activities</b>				
Purchase of short term and long term investments		14,944	14,944	50,056
Other receipts from investing activities		(5,637)	(5,637)	(40,570)
<b>Net cashflow from investing activities</b>		<b>9,307</b>	<b>9,307</b>	9,486
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>576</b>	<b>4,650</b>	(28,002)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(28,002)</b>	<b>(28,002)</b>	-
<b>Cash and cash equivalents at the end of the reporting period</b>	11	<b>(27,426)</b>	<b>(23,352)</b>	(28,002)
<b>The cashflow for operating activities includes the following items:</b>				
Interest received		(375)	(375)	(191)
Interest paid		-	-	0

**Note 1: Group Expenditure & Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Group in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Groups directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s	£000s	£000s	£000s
43	(4,047)	<b>(4,004)</b>	1,541	(1,346)	<b>195</b>
		Business Growth			
45	(2,792)	<b>(2,747)</b>	7	536	<b>543</b>
		Research Development Innovation & Energy			
21	(2,290)	<b>(2,269)</b>	1,173	(893)	<b>280</b>
		Education Employment & Skills			
24	1	<b>25</b>	466	(457)	<b>9</b>
		Culture			
30	(291)	<b>(261)</b>	1,182	(1,114)	<b>68</b>
		Transport			
-	(6,621)	<b>(6,621)</b>	872	(634)	<b>238</b>
		Enabling Infrastructure			
-	-	-	3,350	(4,230)	<b>(880)</b>
		Project Development			
(276)	(4,525)	<b>(4,801)</b>	1,000	(2,840)	<b>(1,840)</b>
		Core Running Costs			
-	-	-	-	-	-
		Concessionary Fares			
(1)	9,745	<b>9,744</b>	-	5,202	<b>5,202</b>
		SSI Related Schemes Not in the Investment Plan			
72	-	<b>72</b>	12,130	(20,616)	<b>(8,486)</b>
		Other Non Investment Plan Costs			
<b>(42)</b>	<b>(10,820)</b>	<b>(10,862)</b>	<b>21,721</b>	<b>(26,392)</b>	<b>(4,671)</b>
		<b>Net Cost Of Services</b>			
(626)	(40,540)	(41,166)	(22,086)	16,027	(6,059)
		Other Income and Expenditure			
<b>(668)</b>	<b>(51,360)</b>	<b>(52,028)</b>	<b>(365)</b>	<b>(10,365)</b>	<b>(10,730)</b>
		Surplus or Deficit			
-		<b>Opening General Fund Balance</b>	<b>668</b>		
<b>668</b>		Less/Plus Surplus or (Deficit)	<b>365</b>		
<b>668</b>		<b>Closing General Fund Balance at 31 March 2017</b>	<b>1,033</b>		

## Group Notes to the Expenditure and Funding Analysis:

<b>Adjustments between Funding and Accounting Basis 2017/18</b>				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	-	9	(1,355)	<b>(1,346)</b>
Research Development Innovation & Energy	-	-	536	<b>536</b>
Education Employment & Skills	-	14	(907)	<b>(893)</b>
Culture	-	7	(464)	<b>(457)</b>
Transport	-	-	(1,114)	<b>(1,114)</b>
Enabling Infrastructure	-	3	(637)	<b>(634)</b>
Project Development	-	-	(4,230)	<b>(4,230)</b>
Core Running Costs	-	300	(3,140)	<b>(2,840)</b>
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	13	5,189	<b>5,202</b>
Other Non Investment Plan Costs	-	-	(20,616)	<b>(20,616)</b>
<b>Net Cost Of Services</b>	-	346	(26,738)	<b>(26,392)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,637)	40	21,624	<b>16,027</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	(5,637)	386	(5,114)	<b>(10,365)</b>

<b>Adjustments between Funding and Accounting Basis 2016/17</b>				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	-	(2)	(4,045)	(4,047)
Research Development Innovation & Energy	-	-	(2,792)	(2,792)
Education Employment & Skills	-	(1)	(2,289)	(2,290)
Culture	-	(1)	2	1
Transport	-	-	(291)	(291)
Enabling Infrastructure	-	-	(6,621)	(6,621)
Project Development	-	-	-	-
Core Running Costs	-	(33)	(4,492)	(4,525)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	(2)	9,747	9,745
Other Non Investment Plan Costs	-	-	-	-
<b>Net Cost Of Services</b>	-	<b>(39)</b>	<b>(10,781)</b>	<b>(10,820)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(40,570)	30	-	(40,540)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(40,570)</b>	<b>(9)</b>	<b>(10,781)</b>	<b>(51,360)</b>

**Adjustments for capital purposes:** this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

**Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pensions Adjustments:** this is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

**For services** this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs.

**For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

**Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

## Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

	Group	TVCA	TVCA
	2017/18	2017/18	2016/17
	£000s	£000s	£000s
<b>Expenditure</b>			
Employee benefits expenses	3,695	3,579	2,476
Other services expenses	76,293	80,477	60,065
Interest payments	176	176	160
<b>Total Expenditure</b>	<b>80,164</b>	<b>84,232</b>	62,701
<b>Income</b>			
Fees, charges and other service income	(7,201)	(7,191)	(691)
Interest and investment income	(598)	(598)	(383)
Government grants and contributions	(83,095)	(83,324)	(113,655)
<b>Total Income</b>	<b>(90,894)</b>	<b>(91,113)</b>	(114,729)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(10,730)</b>	<b>(6,881)</b>	(52,028)

## Segmental Income

Income received on a segmental basis is analysed below:

	Group	TVCA	TVCA
	2017/18	2017/18	2016/17
	£000s	£000s	£000s
<b>Services</b>			
	<b>Income from Services</b>	<b>Income from Services</b>	Income from Services
Business Growth	(190)	(190)	0
Research Development Innovation & Energy	(543)	(543)	0
Education Employment & Skills	(260)	(260)	0
Culture	(4)	(4)	0
Transport	(69)	(69)	0
Enabling Infrastructure	(235)	(235)	0
Project Development	(39)	(39)	0
Core Running Costs	(671)	(661)	(275)
SSI Related Schemes Not in the Investment Plan	(5,190)	(5,190)	(416)
<b>Total income analysed on a segmental basis</b>	<b>(7,201)</b>	<b>(7,191)</b>	(691)

**Note 1: Expenditure & Funding Analysis TVCA**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Combined Authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s	£000s	£000s	£000s
43	(4,047)	<b>(4,004)</b>	1,541	(1,346)	<b>195</b>
		Business Growth			
45	(2,792)	<b>(2,747)</b>	7	536	<b>543</b>
		Research Development Innovation & Energy			
21	(2,290)	<b>(2,269)</b>	1,173	(893)	<b>280</b>
		Education Employment & Skills			
24	1	<b>25</b>	466	(457)	<b>9</b>
		Culture			
30	(291)	<b>(261)</b>	1,182	(1,114)	<b>68</b>
		Transport			
-	(6,621)	<b>(6,621)</b>	872	(634)	<b>238</b>
		Enabling Infrastructure			
-	-	-	3,350	(3,305)	<b>45</b>
		Project Development			
(276)	(4,525)	<b>(4,801)</b>	1,072	12	<b>1,084</b>
		Core Running Costs			
-	-	-	-	-	-
		Concessionary Fares			
(1)	9,745	<b>9,744</b>	-	5,202	<b>5,202</b>
		SSI Related Schemes Not in the Investment Plan			
72	-	<b>72</b>	12,130	(20,616)	<b>(8,486)</b>
		Other Non Investment Plan Costs			
<b>(42)</b>	<b>(10,820)</b>	<b>(10,862)</b>	<b>21,793</b>	<b>(22,615)</b>	<b>(822)</b>
		<b>Net Cost Of Services</b>			
(626)	(40,540)	(41,166)	(22,086)	16,027	(6,059)
		Other Income and Expenditure			
<b>(668)</b>	<b>(51,360)</b>	<b>(52,028)</b>	<b>(293)</b>	<b>(6,588)</b>	<b>(6,881)</b>
		Surplus or Deficit			
-		<b>Opening General Fund Balance</b>	<b>668</b>		
<b>668</b>		Less/Plus Surplus or (Deficit)	<b>293</b>		
<b>668</b>		<b>Closing General Fund Balance at 31 March 2017</b>	<b>961</b>		

## Notes to the Expenditure and Funding Analysis: TVCA

<b>Adjustments between Funding and Accounting Basis 2017/18</b>				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	-	9	(1,355)	<b>(1,346)</b>
Research Development Innovation & Energy	-	-	536	<b>536</b>
Education Employment & Skills	-	14	(907)	<b>(893)</b>
Culture	-	7	(464)	<b>(457)</b>
Transport	-	-	(1,114)	<b>(1,114)</b>
Enabling Infrastructure	-	3	(637)	<b>(634)</b>
Project Development	-	-	(3,305)	<b>(3,305)</b>
Core Running Costs	-	300	(288)	<b>12</b>
Concessionary Fares	-	-	-	<b>-</b>
SSI Related Schemes Not in the Investment Plan	-	13	5,189	<b>5,202</b>
Other Non Investment Plan Costs	-	-	(20,616)	<b>(20,616)</b>
<b>Net Cost Of Services</b>	-	346	(22,961)	<b>(22,615)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,637)	40	21,624	<b>16,027</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(5,637)</b>	<b>386</b>	<b>(1,337)</b>	<b>(6,588)</b>

<b>Adjustments between Funding and Accounting Basis 2016/17</b>				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	-	(2)	(4,045)	(4,047)
Research Development Innovation & Energy	-	-	(2,792)	(2,792)
Education Employment & Skills	-	(1)	(2,289)	(2,290)
Culture	-	(1)	2	1
Transport	-	-	(291)	(291)
Enabling Infrastructure	-	-	(6,621)	(6,621)
Project Development	-	-	-	-
Core Running Costs	-	(33)	(4,492)	(4,525)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	(2)	9,747	9,745
Other Non Investment Plan Costs	-	-	-	-
<b>Net Cost Of Services</b>	-	<b>(39)</b>	<b>(10,781)</b>	<b>(10,820)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(40,570)	30	-	(40,540)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(40,570)</b>	<b>(9)</b>	<b>(10,781)</b>	<b>(51,360)</b>

**Adjustments for capital purposes:** this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

**Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pensions Adjustments:** this is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

**For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

**For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

**Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

## Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
<b>Expenditure</b>		
Employee benefits expenses	3,579	2,476
Other services expenses	80,183	60,065
Interest payments	176	160
<b>Total Expenditure</b>	<b>83,938</b>	62,701
<b>Income</b>		
Fees, charges and other service income	(6,897)	(691)
Interest and investment income	(598)	(383)
Government grants and contributions	(83,324)	(113,655)
<b>Total Income</b>	<b>(90,819)</b>	(114,729)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(6,881)</b>	(52,028)

## Segmental Income

Income received on a segmental basis is analysed below:

	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
<b>Services</b>	<b>Income from Services</b>	Income from Services
Business Growth	(190)	0
Research Development Innovation & Energy	(543)	0
Education Employment & Skills	(260)	0
Culture	(4)	0
Transport	(69)	0
Enabling Infrastructure	(235)	0
Project Development	(39)	0
Core Running Costs	(367)	(275)
SSI Related Schemes Not in the Investment Plan	(5,190)	(416)
<b>Total income analysed on a segmental basis</b>	<b>(6,897)</b>	(691)

**Note 2: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

The Group does not anticipate that the above amendments will have a material impact on the information provided in the financial statements in that there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

**Note 3: Critical Judgements in Applying Accounting Policies**

In applying its accounting policies the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

No critical judgements made.

**Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Groups Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension liabilities: estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied. Sensitivities are included in Note 20.

**Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations**

**Group**

2017/18	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account (see note 7)	-			-
Adjustments involving the Capital Grants Unapplied Account	(5,637)		5,637	-
Adjustments involving the Pensions Reserve	386			(386)
Adjustments involving the Accumulated Absences Adjustment Account	46			(46)
<b>Total Adjustments</b>	<b>(5,205)</b>	<b>-</b>	<b>5,637</b>	<b>(432)</b>

**TVCA**

2017/18	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account (see note 7)	-			-
Adjustments involving the Capital Grants Unapplied Account	(5,637)		5,637	-
Adjustments involving the Pensions Reserve	386			(386)
Adjustments involving the Accumulated Absences Adjustment Account	43			(43)
<b>Total Adjustments</b>	<b>(5,208)</b>	<b>-</b>	<b>5,637</b>	<b>(429)</b>

2016/17 Comparative figures	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	-			-
Adjustments involving the Capital Grants Unapplied Account	(40,570)		40,570	-
Adjustments involving the Capital Receipts Reserve	-	-		-
Adjustments involving the Deferred Capital Receipts Reserve	-			-
Adjustments involving the Financial Instruments Adjustment Account	-			-
Adjustments involving the Pensions Reserve	(9)			9
Adjustments involving the Accumulated Absences Adjustment Account	176			(176)
<b>Total Adjustments</b>	<b>(40,403)</b>	<b>-</b>	<b>40,570</b>	<b>(167)</b>

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### Note 6: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

#### Group

Earmarked Reserves	Balance at 31 March 2017 £000s	Transfers Out 2017/18 £000s	Transfers In 2017/18 £000s	Balance at 31 March 2018 £000s
<b>Revenue Reserves</b>				
Development Pot	(2,159)	220	-	(1,939)
Investment Fund	(21,587)	1,543	(12,267)	(32,311)
SSI	(22,332)	5,344	-	(16,988)
<b>Total Revenue Reserves</b>	<b>(46,078)</b>	<b>7,107</b>	<b>(12,267)</b>	<b>(51,238)</b>

#### TVCA

Earmarked Reserves	Balance at 31 March 2017 £000s	Transfers Out 2017/18 £000s	Transfers In 2017/18 £000s	Balance at 31 March 2018 £000s
<b>Revenue Reserves</b>				
Development Pot	(2,159)	220	-	(1,939)
Investment Fund	(21,587)	1,543	(8,487)	(28,531)
SSI	(22,332)	5,344	-	(16,988)
<b>Total Revenue Reserves</b>	<b>(46,078)</b>	<b>7,107</b>	<b>(8,487)</b>	<b>(47,458)</b>

### Note 7: Capital Adjustment Account Group and TVCA

2017/18

#### Balance at 1 April 2017

Revaluation losses on property, plant and equipment  
Revaluation losses on AHFS & Investment Properties

- Revenue expenditure funded from capital under statute

43,451

Amounts of non-current assets written off on disposal or sale

43,451

Capital financing applied in the year:

Use of the Capital Receipts Reserve to finance new capital expenditure

- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing

(40,631)

Capital expenditure charged against the General Fund balance

(2,820)

(43,451)

Other adjustments

-

**Balance at 31 March 2018**

-

### Note 8: Group and TVCA Members' Allowances

If applicable the amounts paid to each elected member of the Group and Authority are published annually. Elected members from the constituent local authorities sit on various TVCA and STDC boards and no payments were made to these members during 2017/18. The allowance in respect of the Mayor was £32,375 for 2017/18.

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**Note 9: Employee remuneration Group and TVCA**

Remuneration of the Managing Director and his senior staff are shown in the following table.

<b>Remuneration of Senior Employees 2017/18</b>						
<b>Post holder information</b>	<b>Salary (Including fees &amp; Allowances)</b>	<b>Expense Allowances</b>	<b>Benefits in kind</b>	<b>Total Remuneration excluding pension contributions 2017/18</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2017/18</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Managing Director</i>	136,350	734	-	<b>137,084</b>	32,817	<b>169,901</b>
<i>Strategy Director</i>	89,259	549	-	<b>89,808</b>	14,192	<b>104,000</b>
<i>Investment Director</i>	89,259	599	-	<b>89,858</b>	14,192	<b>104,050</b>
<i>Business Director</i>	89,259	1,473	-	<b>90,732</b>	14,192	<b>104,924</b>
<i>Head of Skills Education &amp; Employment</i>	75,487	-	-	<b>75,487</b>	12,002	<b>87,489</b>
<i>Head of Culture &amp; Tourism</i>	75,057	-	-	<b>75,057</b>	12,002	<b>87,059</b>
<i>Director of Finance</i>	56,387	-	-	<b>56,387</b>	8,965	<b>65,352</b>
<i>Head of Transport</i>	75,487	-	-	<b>75,487</b>	12,002	<b>87,489</b>
<i>Head of Comms &amp; Marketing</i>	13,190	-	-	<b>13,190</b>	2,097	<b>15,287</b>
<i>Head of Homes &amp; Communities</i>	75,487	-	-	<b>75,487</b>	12,002	<b>87,489</b>
	<b>775,221</b>	<b>3,354</b>	<b>-</b>	<b>778,576</b>	<b>134,466</b>	<b>913,042</b>

The Director of Finance commenced employment with the organisation in August 2017 and the Head of Communications and Marketing commenced in January 2018.

<b>Remuneration of Senior Employees 2016/17</b>						
<b>Post holder information</b>	<b>Salary (Including fees &amp; Allowances)</b>	<b>Expense Allowances</b>	<b>Benefits in kind</b>	<b>Total Remuneration excluding pension contributions 2017/18</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2017/18</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Managing Director</i>	100,161	559	-	<b>100,720</b>	8,694	<b>109,414</b>
<i>Strategy Director</i>	91,932	651	-	<b>92,583</b>	18,202	<b>110,785</b>
<i>Investment Director</i>	21,619	158	-	<b>21,777</b>	4,280	<b>26,057</b>
<i>Business Director</i>	91,932	964	-	<b>92,896</b>	18,202	<b>111,098</b>
<i>Head of Skills Education &amp; Employment</i>	17,078	-	-	<b>17,078</b>	3,381	<b>20,459</b>
<i>Head of Culture &amp; Tourism</i>	16,993	-	-	<b>16,993</b>	3,620	<b>20,613</b>
<i>Head of Transport</i>	5,827	-	-	<b>5,827</b>	1,154	<b>6,981</b>
<i>Head of Homes &amp; Communities</i>	31,142	-	-	<b>31,142</b>	6,166	<b>37,308</b>
	<b>376,684</b>	<b>2,332</b>	<b>-</b>	<b>379,016</b>	<b>63,699</b>	<b>442,715</b>

Only two of the senior employee posts were in employment of the organisation for the full financial year. These being the Strategy Director and Business Director. All other employees commenced employment at various stages of the year.

The number of employees whose taxable remuneration, including benefits, redundancy and other severance payments, exceeded £50,000 is shown below, in bands of £5,000:

<b>Remuneration Summary Salary Range</b>	<b>Number of Employees</b>	
	<b>2017/18</b>	<b>2016/17</b>
£50,001 - £55,000	1	-
£55,001 - £60,000	-	-
£60,001 - £65,000	-	-
£65,001 - £70,000	-	-
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	-	-
£90,001 - £95,000	-	-
£95,001 - £100,000	-	-
£100,001 - £105,000	-	-
£125,001 - £130,000	-	-
£130,001 - £135,000	-	-
£135,001 - £140,000	-	-

Remuneration of the Managing Director and his senior staff has been excluded from the salary range analysis shown in the table above.

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**Note 10: Debtors**

	<b>Group</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2017</b> <b>£000s</b>
Central Government	1,576	1,569	1,372
Local Government	3,149	3,378	4,500
Other entities and individuals	230	230	94
	<b><u>4,955</u></b>	<b><u>5,177</u></b>	<b><u>5,966</u></b>

**Note 11: Cash and Cash Equivalents**

	<b>Group</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2017</b> <b>£000s</b>
Bank and Imprests	(2,648)	(2,648)	2,996
Cash Equivalents	30,074	26,000	25,006
	<b><u>27,426</u></b>	<b><u>23,352</u></b>	<b><u>28,002</u></b>

**Note 12: Short Term Creditors**

	<b>Group</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2017</b> <b>£000s</b>
Central Government	(90)	(90)	(59)
Local Government	(2,650)	(2,650)	(1,474)
Other entities and individuals	(2,638)	(2,635)	(364)
	<b><u>(5,378)</u></b>	<b><u>(5,375)</u></b>	<b><u>(1,897)</u></b>

**Note 13: Other Long Term Liabilities**

	<b>Group</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2018</b> <b>£000s</b>	<b>TVCA</b> <b>31 March 2017</b> <b>£000s</b>
Net pensions liability	(2,051)	(2,051)	(1,714)
	<b><u>(2,051)</u></b>	<b><u>(2,051)</u></b>	<b><u>(1,714)</u></b>

**Note 14: Related Party Transactions**

The Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Group.

**Central Government**

Central government has effective control over the general operations of the Group – it is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Grants received from government departments are set out in the subjective analysis in Note 18.

**Members**

Members of the Authority and STDC have direct control over the Groups financial and operating policies. The total of members’ allowances paid in 2017/18 is shown in Note 8. During 2017/18, there were no related party transactions between members and TVCA or STDC.

**Entities Controlled or Significantly Influenced by the Authority**

The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities by other organisations in which the Council has an interest. The Combined Authority has considered its interests in this respect, both quantitatively and qualitatively, and has concluded that its subsidiary, South Tees Development Corporation (STDC), is materially significant to the overall financial position of the Combined Authority and is therefore consolidated into the Group Financial Statements.

**TVCA Constituent Authorities**

The Leaders and Elected Mayor of the five TVCA constituent Authorities serve as members of the TVCA Leadership Board. Details of income and expenditure with the five Authorities are set out in the table below.

<b>2017/18</b>	<b>Income Received £000s</b>	<b>Expenditure £000s</b>
Stockton On Tees Borough Council	4,266	6,464
Middlesbrough Borough Council	4,966	13,112
Redcar & Cleveland Borough Council	5,049	4,330
Hartlepool Borough Council	2,349	7,151
Darlington Borough Council	3,177	9,084
<b>Total</b>	<b>19,806</b>	<b>40,141</b>

## Tees Valley Combined Authority (Group) - Annual Financial Statements 2017/18

### Note 15: External Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Groups external auditors:

	<b>Group 2017/18 £000s</b>	<b>TVCA 2017/18 £000s</b>	TVCA 2016/17 £000s
Fees payable to Mazars LLP with regard to external audit services	48	30	30
	<b>48</b>	<b>30</b>	30
<i>Rebate from Public Sector Audit Appointments Ltd</i>		<i>(4)</i>	

### Note 16: Leases

#### Operating leases: Authority as lessee

From the 1st January 2017 the TVCA took on the lease of the third floor of Cavendish House. The new lease is for a term of 10 years. The minimum lease payments due in future years are:

<b>Future minimum lease payments due</b>	<b>2017/18 £000s</b>	2016/17 £000s
Not later than one year	152	119
Later than one year & not later than five years	608	608
Later than five years	570	722
	<b>1,330</b>	<b>1,449</b>

### Note 17: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year by TVCA is shown in the table below together with the resources that have been used to finance it. No capital expenditure was made by STDC. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the bottom part of this note.

	<b>31 March 2018 £000s</b>	31 March 2017 £000s
<b>Opening Capital Financing Requirement</b>	-	-
<b>Capital investment</b>		
Revenue expenditure funded from capital under statute	43,451	28,339
<b>Sources of Finance</b>		
Government grants and other contributions	(40,631)	(28,339)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(2,820)	-
<b>Closing Capital Financing Requirement</b>	<b>-</b>	<b>-</b>

## Tees Valley Combined Authority (Group) - Annual Financial Statements 2017/18

### Note 18: Grant Income Group

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
Local Growth Fund	19,997	28,479
Local Transport Plan	13,952	-
National Productivity Investment Fund	2,298	-
Pothole Action Fund	1,929	-
SSI	1,394	6,872
DfT Local Majors	100	-
Growing Places	961	4,063
Development Pot	-	1,156
<b>Total</b>	<b>40,631</b>	40,570
<b>Credited to Services</b>		
Local Growth Fund	-	9,308
Adult Education Transitional Budget	16	-
BIES Growth Hub	246	-
ESIF	1,337	339
HLF Great Places	85	-
SSI	-	7,368
LEP Core	500	500
One Public Estates	359	-
AGE Apprentice Grant for Employers	379	1,158
DECC - City Deal / Carbon	7	300
Devolution	15,000	15,000
DfT Sustainable Transport	-	990
DfT Access Fund	1,163	14,674
DWP Routes To Work	133	-
MHCLG	2,399	-
Contributions from other LA's	-	2,088
Other	-	3,696
<b>Total</b>	<b>21,624</b>	55,421

# Tees Valley Combined Authority (Group) - Annual Financial Statements 2017/18

## Note 19: Financial Instruments Group

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s
Loans and receivables	6,219	5,013	95,074	78,058
Financial assets carried at contract amounts	-	-	4,613	5,812
<b>Total financial assets</b>	<b>6,219</b>	<b>5,013</b>	<b>99,687</b>	<b>83,870</b>
Financial liabilities carried at contract amount	-	-	(5,595)	(1,662)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(5,595)</b>	<b>(1,662)</b>

### Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### Mark to Model Valuation for Financial Instruments

As at 31st March 2017 the Group held £105.9m financial assets and had financial liabilities of £2.6m. All the financial assets are classed as Loans and Receivables and held with Notice Accounts. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Arlingclose our Treasury Management Advisors. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector.

The fair values calculated are as follows:

#### Financial liabilities

	31 March 2018		31 March 2017	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Bank Overdraft	(2,648)	(2,648)	-	-
<b>Total financial liabilities</b>	<b>(2,648)</b>	<b>(2,648)</b>	<b>-</b>	<b>-</b>

#### Loans and receivables

	31 March 2018		31 March 2017	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Money Market Loans < 1 year	65,000	65,000	50,056	50,056
Other Loans >1 year	6,253	6,253	5,013	5,013
Cash on Deposit	30,074	30,074	28,002	28,002
Customers	4,613	4,613	5,812	5,812
<b>Total loans and receivables</b>	<b>105,940</b>	<b>105,940</b>	<b>88,883</b>	<b>88,883</b>

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exceptions to this treatment are short term debtors and creditors are carried at cost as this is a fair approximation of their value.

**Note 19: Financial Instruments Group**

**Nature and Extent of Risks Arising from Financial Instruments**

**Key risks**

The Groups activities expose it to a variety of financial risks; the key risks are:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Authority
- **liquidity risk** – the possibility that the Authority might not have funds available to meet its commitments to make payments
- **re-financing risk** – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **market risk** – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

**Overall procedures for managing risks**

The Groups overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Group to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Group to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Groups overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Groups financial instrument exposure. Actual performance is also reported after each year and regular updates are provided to the Audit & Governance Committees.

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Groups customers. This risk is minimised through the Annual Investment Strategies, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services.

The Annual Investment Strategies also consider maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on TVCA's website.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £72,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Groups deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Amount at 31 March 2018	Historical experience of default	Adjustment for market conditions at 31 March 2018	Estimated maximum exposure to default at 31 March 2018	Estimated maximum exposure to default at 31 March 2017
£000s	%	%	£000s	£000s

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### Note 19: Financial Instruments Group

A rated counterparties	53,000	0.06%	0.08%	42	21
Local Authorities	35,000	0.06%	0.07%	25	-
Debtors	4,613	0.10%	0.10%	5	-
				<b>72</b>	<b>21</b>

No breaches of the counterparty criteria occurred during the reporting period and the Group does not expect any losses from non performance by any of its counterparties in relation to deposits.

#### Liquidity Risk

The Group manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Group is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

As at 31 March 2018, all of the Groups deposits were due to mature within 364 days.

#### Refinancing and Maturity risk

The Group maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Group relates to managing the exposure to replacing financial instruments as they mature. The approved treasury indicator limits placed on investments are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

#### Market Risk

**Interest Rate Risk:** *The Group is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Group, depending upon how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:*

- investments at variable rates – the interest income credited to the (Surplus) or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

The Group has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
Increase in interest receivable on variable rate investments	258	301
Impact on (Surplus) or Deficit on the Provision of Services	<b>258</b>	<b>301</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Price Risk:** *The Group, excluding the pension fund, does not invest in equity shares or marketable bonds.*

**Foreign Exchange Risk:** *The Group has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.*

**Note 20: Defined Benefit Pension Schemes**

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Group makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Group participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Group resources is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

**Note 20: Defined Benefit Pension Schemes**

	<b>Local Government Pension Scheme</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000s</b>	<b>£000s</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
• Current service cost	708	366
• Past service cost	15	-
<b>Financing and Investment Income and Expenditure</b>		
Net interest cost	40	30
<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>763</b>	<b>396</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
• Return on plan assets (excluding the amount included in the net interest expense)	(48)	(787)
• Actuarial gains and losses arising on changes in financial assumptions	(1)	1,434
• Actuarial gains and losses due to liability experience	-	-
• Actuarial gains and losses due to acquisitions	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(49)</b>	<b>647</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the (Surplus) or Deficit for the		
• Provision of Services for post employment benefits in accordance with the Code	(763)	(396)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
• Employers' contributions payable to scheme	<b>377</b>	405

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.049m).

**Pension Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

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	<b>Local Government Pension Scheme</b>	
	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
Present value of defined benefit obligation	(7,694)	(6,715)
Fair value of assets	5,643	5,001
Net liability recognised in the Balance Sheet	<b><u>(2,051)</u></b>	<b><u>(1,714)</u></b>

### Note 20: Defined Benefit Pension Schemes

#### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	<b>Local Government Pension Scheme</b>	
	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
Opening fair value of scheme assets	5,001	3,578
Interest income	136	130
Remeasurement gains and (losses)	48	787
Contributions from the employer	377	405
Contributions from employees into the scheme	183	113
Net increase from acquisitions	-	-
Benefits paid	(102)	(12)
<b>Closing balance at 31 March 2018</b>	<b><u>5,643</u></b>	<b><u>5,001</u></b>

#### Reconciliation Of Present Value Of The Scheme Liabilities (Defined Benefit Obligation)

	<b>Local Government Pension Scheme</b>	
	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
Opening balance at 1 April	(6,715)	(4,654)
Current service cost	(708)	(366)
Interest cost	(176)	(160)
Contributions by scheme participants	(183)	(113)
Actuarial gains and losses - financial assumptions	1	(1,434)
Actuarial gains and losses - liability experience	-	-
Benefits paid	102	12
Net increase from acquisitions	-	-
Past service cost	(15)	0
<b>Closing balance at 31 March 2018</b>	<b><u>(7,694)</u></b>	<b><u>(6,715)</u></b>

#### Local Government Pension Scheme assets comprised:

	<b>Fair value of scheme assets</b>		<b>Fair value of scheme assets</b>	
	<b>2017/18</b>		<b>2016/17</b>	
	<b>£000s</b>	<b>%</b>	£000s	%
Equity investments (Quoted)	4,509	79.9%	4,001	80.0%
Property (Quoted)	412	7.3%	345	6.9%
Government Bonds	-	0.0%	10	0.2%
Corporate Bonds	-	0.0%	10	0.2%
Cash	626	11.1%	560	11.2%
Other Investments	96	1.7%	75	1.5%
	<b><u>5,643</u></b>	<b><u>100%</u></b>	<b><u>5,001</u></b>	<b><u>100%</u></b>

## Tees Valley Combined Authority (Group) - Annual Financial Statements 2017/18

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2018.

### Note 20: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

	2017/18	2016/17
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	22.9	22.8
Women	25.0	24.9
<u>Longevity at 45 for future pensioners:</u>		
Men	25.1	25.0
Women	27.3	27.2
<u>Other assumptions:</u>		
Rate of inflation (RPI)	3.1%	3.1%
Rate of inflation (CPI)	2.0%	2.0%
Rate of increase in salaries	3.0%	3.0%
Rate of increase in pensions	2.0%	2.0%
Rate of Pension accounts revaluation rate	2.0%	2.0%
Rate for discounting scheme liabilities	2.6%	2.6%
Take-up of option to convert annual pension into retirement lump sum	80.0%	80.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Impact on the Defined Benefit Obligation in the Scheme

	<b>Increase</b>	<b>Base Figure</b>	<b>Decrease</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Longevity (increase or decrease in 1 year)	7,922	7,694	7,467
Rate of increase in salaries (increase or decrease by 0.1%)	7,773	7,694	7,616
Rate of increase in pensions payment (increase or decrease by 0.1%)	7,814	7,694	7,575
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	7,499	7,694	7,894

### Impact on the Group's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Group anticipates to pay £0.374m contributions to the scheme in 2018/2019.

The weighted average duration of the defined benefit obligation for scheme members is 25.7 years.

**Note 21: Termination Benefits**

The Group terminated the contract of one employee in 2017/18, incurring liabilities of £27k. The amount has been payable to an officer from the TVCA reflecting a service restructure.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18 £000s	2016/17 £000s
£1 to £20,000	-	1	-	-	-	1	-	3
£20,001 to £40,000	1	-	-	-	1	-	27	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>27</b>	<b>3</b>

**Note 22: Provisions**

The Group has not been required to establish any provision's in year.

**Note 23: Contingent Liabilities**

The Group has no contingent liabilities.

**Note 24: Post Balance Sheet Events**

The Group has no post balance sheet events to report.

**Note 25: Statement of Accounting Policies**

**General Principles**

The Statement of Accounts summarise the Group's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Group Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the financial statements is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

**Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Income from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Income from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for respectively as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**Employee Benefits**

**Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Note 25: Statement of Accounting Policies**

Post Employment Benefits

Employees of the Group are members of one pension scheme:

- The Local Government Pensions Scheme, administered by Middlesbrough Group.

The schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Group and its predecessor.

**The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Teesside Pension Fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Aon Hewitt GBP Central AA Curve.
- The assets of the Teesside Pension Fund attributable to the Group are included in the Balance Sheet at their fair value:
  - quoted securities* – current bid price
  - unquoted securities* – professional estimate
  - unitised securities* – current bid price
  - property* – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- *current service cost*: the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- *past service cost*: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability: i.e. net interest expense for the Group - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- *the return on plan assets* - excluding amounts included in the net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- *actuarial gains and losses*: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Teesside Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Events after the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

**Note 25: Statement of Accounting Policies**

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

**Financial Assets**

Loans and receivables are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset in the Balance Sheet. For most of the loans that the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

**Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- the Group will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

**Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Group's arrangements for accountability and financial performance.

**Note 25: Statement of Accounting Policies**

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent Liabilities & Contingent Assets

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. A contingent asset arises where an event has taken place that gives the Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Group expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Group has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged.

**VAT**

VAT on income and expenditure is included only to the extent that it is not recoverable from HM Revenue and Customs.

**Note 25: Statement of Accounting Policies**

**Fair Value Measurement**

The Group measures some of its non-financial assets, and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. this takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 - quoted prices
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

## **Responsibilities for the Annual Financial Statements**

### **The Authority's Responsibilities**

The Tees Valley Combined Authority Group is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Group, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Annual Financial Statements by the date specified by the Secretary of State.

### **The Chief Financial Officers Responsibilities**

The Chief Financial Officer is responsible for the preparation of the Groups Annual Financial Statements in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice).

In preparing the Annual Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.

The Chief Financial Officer has also:

- kept accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certification of the accounts by the Chief Financial Officer**

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of Tees Valley Combined Authority Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2018.

**J Gilhespie**  
**Director of Finance**

**Date: 31 May 2018**

These financial statements replace the unaudited financial statements certified by the Director of Finance on 31st May 2018.

**J Gilhespie**  
**Director of Finance**

**Date: 31 July 2018**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEES  
VALLEY COMBINED AUTHORITY**

## Glossary of Terms

### Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### Amortised cost

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. International Accounting Standard (IAS) 39 requires the amortised cost to be calculated using the effective interest method.

### Capital Charge

A charge to service revenue accounts to reflect the cost of non current assets used in the provision of a service.

### Capital Expenditure

Expenditure on the acquisition of a non current asset or expenditure designed to extend its useful life.

### Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

### Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

### Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument to the net carrying amount at initial recognition.

### Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items, merely because they relate to a prior period.

### Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

## Glossary of Terms

### Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

### Going Concern

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

### Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

### Inventories

Comprise the value of items held in the following categories:

- a) goods or other assets purchased for resale;
- b) consumable stores;
- c) raw materials and components purchased for incorporation into products for sale;
- d) products and services in intermediate stages of completion;
- e) long term contract balances; and
- f) finished goods.

### Investments

A long term investment is an investment that is being held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria are classified as current assets.

### Long Term Contracts

A contract entered into for the design, manufacture or construction of a substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts, if they are sufficiently material to the activity of the period.

### Net Book Value

The amount at which non current assets are included in the balance sheet i.e. the historical cost or current value, less the cumulative amounts provided for depreciation.

### Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the costs of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of a non operational asset), less any expenses incurred in realising the asset.

## Glossary of Terms

### Non Current Assets

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

### Non Operational Assets

Non current assets held by a Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### Operating Lease

A lease other than a finance lease.

### Operational Assets

Non current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

### Prior Year Adjustments

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

### Prudence

The concept that revenue is not anticipated, but is recognised only when realised, in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

### Usable Reserves

Amounts set aside to meet future costs, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

### Unusable Reserves

Reserves that not available to spend; this category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

## **AGENDA ITEM 15**

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

**1<sup>st</sup> June 2018**

#### **REPORT OF: HEAD OF TRANSPORT**

## **TRANSFORMING CITIES FUND**

### **SUMMARY**

This report provides an update on the Transforming Cities Fund. It details the funding profile of the allocation provided to the Combined Authority, describes the principles of the fund as outlined by the Secretary of State for Transport in his March letter to the Tees Valley Mayor and outlines an approach towards establishment of a delivery plan for the fund.

### **RECOMMENDATIONS**

Cabinet are recommended to

- i. Note the content of the report

### **DETAIL**

1. On the 20<sup>th</sup> of November 2017 Department for Transport announced a £1.7bn Transforming Cities Fund (TCF). The Transforming Cities Fund is part of the Government's National Productivity Investment Fund (NPIF), which was announced in 2016. A proportion of the fund is for transport.
2. £850m of the TCF fund was awarded directly to the 6 Mayoral Combined Authorities on a per capita basis. The remaining £850m is available to other cities of the UK via a competitive bidding process, with 7-8 areas expected to receive an allocation. Scotland has received a discrete allocation of £300m.
3. The Tees Valley Combined Authority has received an allocation from the fund of £59m, with this allocation being profiled over a four-year period from 2018/19 to 2021/22. The TVCA also has other funding directed at transport infrastructure with £115m of available and committed expenditure incorporated in to our March 2017 Investment Plan.

4. The TCF funding is Capital Grant and its profile is as follows:

2018/19: £4m

2019/20: £13m

2020/21: £18m

2021/22: £24m

5. Although this is the profile of grant from government, the TCF forms part of the Combined Authority's "single pot" of capital funding, and our wider Investment Plan. As such, we have the opportunity to commit funding for projects on a flexible basis, with a profile that fits the needs of the Tees Valley and the delivery of specific projects. This includes the flexibility to commit resource in advance of the grant funding from government.

### **PRINCIPLES GUIDING INVESTMENT OF THE FUND**

6. In establishing this fund the government aims to transform intra-city connectivity, supporting access to jobs across England's largest city-regions and driving productivity.

7. The letter received from the Secretary of State stipulates that TCF investment should be focused on improving public and sustainable transport, helping to reduce congestion and on improving air quality. The TVCA is encouraged to consider use of new mobility systems and technology.

8. The letter also confirms that allocations that have been provided directly to Mayoral Combined Authorities can be used to take investment decisions according to their own priorities. The funding will form part of the 'Single Pot' for the TVCA but TVCA should have regard to the national objectives of the fund.

9. Feedback from the Tees Valley Mayor, Combined Authority Cabinet and the Transport Committee indicates a strong preference for the fund to be directed towards improvements in the local public transport system with an emphasis on improvements to local rail infrastructure and services.

10. The TVCA draft Strategic Transport Plan provides an excellent framework to determine direction of the TCF with its 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.*"

### **STRATEGIC PRIORITIES**

11. Strategic priorities identified within our emerging Transport Plan that fit with the objectives of the TCF include:

- **Improvements at major rail gateways.** Delivery of the masterplan for Darlington Station is a key priority for the TVCA, and an important component of our

Devolution Deal. The current estimated cost of the project is over £100m, and therefore larger than the funding available via the TCF. However, to promote delivery of large infrastructure projects of this nature an identified local contribution is generally required. A local contribution of 20% is considered best practice and could be made available via the fund.

- **Improvements at other key stations on the local rail network.** Emerging priorities identified as part of the TVCA Rail Strategy include delivery of the masterplan for Middlesbrough Station (including a remodelled southern entrance, and third platform to ensure current and future franchise commitments are met), extra platform capacity at Hartlepool Station and accessibility/interchange improvements at both Eaglescliffe and Redcar Central Stations.
- **Bus infrastructure improvements.** These could include improvements to the interface between bus and rail within the Tees Valley, improvements at key bus interchanges and more rural locations and the potential for interventions to improve the reliability and punctuality of bus services utilising the identified Key Route Network within the Tees Valley.
- **Use of Intelligent Transport Systems and innovative technology.** The effective and expeditious flow of traffic on the Key Route Network identified by the Combined Authority is an important component of our Road Strategy. Improvement and expansion of our Urban Traffic Management and Control System (UTMC) has the potential to assist in reducing congestion and improving journey times for commuters, bus services and freight. Improvements to the system also allow the potential for innovative technological interventions such as parking guidance, better driver information and improved air quality monitoring.
- **Other priorities.** Other priorities identified within the TVCA transport plan that fit with the objectives of the TCF include improvements to our strategic cycling and walking network and the introduction of improved electric vehicle charging infrastructure on a strategic basis.

## **DELIVERY OF THE PROGRAMME**

12. As the TCF is part of the single pot process, decisions on which projects receive funding are the responsibility of the TVCA and are subject to our single pot Assurance Framework. TVCA is responsible for ensuring that any schemes funded represent value for money and DfT will not cover any funding shortfalls.
13. TVCA will be required to produce a TCF delivery plan for DfT, and also an annual update on progress. Critically, projects that receive TCF funding will be required to produce a Value for Money Statement (VFMS). Production of a VFMS requires a green-book type business case, and so a degree of scrutiny and adherence to our established single pot Assurance Framework process will be required of schemes before they can fully enter any agreed TCF programme in order to ensure that they are indeed value for money.

14. This guidance from DfT suggests that an Expression of Interest round for detailed scheme proposals is not appropriate at this stage, when the value for money of many suggestions will not have been proven as part of the development of a wider business case for a project.
15. Establishment of a thematic programme based around the Transport Plan strategic priorities identified in paragraph 11 would enable production of a delivery plan for DfT, and allow time for the value for money of schemes or programmes suggested for inclusion in the delivery plan to be established. It should be noted that this approach will require some resource for both programme management of the TCF and to assist in the development of business cases.
16. Proposals delivering the strategic priorities identified in paragraph 11 of this report will be brought forward to future Cabinets for discussion.

## **NEXT STEPS**

17. The Transport Advisory Group propose to hold an officer workshop to discuss the approach to a thematic programme and delivery plan, to inform a future Cabinet discussions.

## **FINANCIAL IMPLICATIONS**

18. The TCF fund will be subject to appropriate due diligence through the Tees Valley Assurance Framework'.

## **LEGAL IMPLICATIONS**

19. There are no specific legal issues arising from the provision by the Combined Authority of funding for TCF projects. The Combined Authority will use its standard funding agreement for capital projects to govern the terms of its funding via the TCF. Funding agreements will be tailored so as to minimise risk as far as possible.

## **RISK ASSESSMENT**

20. The approach to TCF is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk."

## **CONSULTATION**

21. Consultation on the transport priorities for the TVCA has been undertaken as part of the development of the existing Transport Framework.

**Name of Contact Officer:** Mark Wilson  
**Post Title:** Head of Transport  
**Telephone Number:** 01642 524 453  
**Email Address:** mark.wilson@teesvalley-ca.gov.uk

**Appendix 1 to this report is not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972**

**AGENDA ITEM 16**

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

**1 JUNE 2018**

**REPORT OF FINANCE DIRECTOR**

**INVESTMENT**

**SOUTH TEES SITE COMPANY TRANSITION PLAN**

**SUMMARY**

Discussions are continuing with the Department of Business Energy Industry and Strategy (BEIS) and the Ministry of Housing Communities and Local Government (MHCLG) - via a Transition Group - to find a mechanism to transfer the long term responsibility for the operation and development of the South Tees Development Corporation (STDC) site to local ownership whilst ensuring sufficient resources and protections are in place to ensure other local priorities are not compromised ("Transition").

The detail of this work will continue for some time and requires a number of actions to be achieved before Transition can legally occur, including a substantial financial business case to be approved in the autumn budget, but the Transition Group has agreed a draft Transition Plan which sets out the process for getting there as well as identifying the key risks and mitigators.

This Transition Plan (which is included at Appendix 1 - Exempt) is being placed before Ministers, the Boards of South Tees Site Company (STSC) and STDC as well as Tees Valley Combined Authority (TVCA) Cabinet for approval in May / early June.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approves the draft Transition Plan as a basis to move Transition forward.

## DETAIL

1. The development of the former SSI steelworks, through the South Tees Development Corporation is core to the delivery of the economic regeneration objectives of TVCA and set out in the STDC masterplan. In order to deliver this, STDC needs to acquire the key land assets.
2. There are 3 key land assets which are shown on the map in Appendix 2 and these are as follows:
  - a. The former SSI land which is currently owned by the Official Receiver and charged to the Thai Banks but operated by South Tees Site Company, a limited company owned by BEIS and chaired by Cllr Sue Jeffrey;
  - b. The Tata land; and
  - c. Redcar Bulk Terminal which is a limited company owned 50% by Greybull Capital and 50% by the Official Receiver.
3. The operating costs of the site are currently c£16m per annum to deliver site-wide security and a keep safe service that manages the significant site risks. In the 2017 budget, the Treasury allocated £117.8m to fund the keep safe operations to 2022 and to fund 'spend to save' project that will decommission the high risk assets and reduce the annual spend on the site to £8.5m. Further reduction of this liability is dependent upon reducing the operational costs of maintenance of certain assets such as the coke ovens and blast furnace.
4. In recent months, STDC has been undertaking ground investigation work to understand the liabilities of the former SSI land, and this work has identified that whilst there is significant cost associated with bringing forward the land for development, there is little in the way of remediation work needed. The exception is the land under the coke ovens and blast furnace which is not accessible and is identified in the Transition Plan as requiring additional protection for TVCA by way of Indemnity from Her Majesty's Government.
5. The land (other than one building that is valued at £450,000), is valued at nil. (The acquisition of the land is subject to a separate Cabinet paper dealing with the Thai Banks transaction which is covered in this month's cabinet as a separate decision.)
6. The Transition Plan is a roadmap toward transferring the long term ownership of the SSI site to Tees Valley, by agreeing a process by which transfer can occur, through identifying the key risks to local ownership and agreeing a way to manage those risks either through a financial settlement or indemnity from HMG.
7. The key aspects of it are:
  - a. No transfer will occur until a Business Case is agreed by the Treasury in the Autumn budget which will transfer sufficient resources to TVCA to allow it to manage the financial risks of taking on ownership of the site. This is being worked up over the next 3 months and is estimated at c£200m, to include:
    - i. A financial allocation to reduce the maintenance costs associated with the coke ovens and blast furnace;
    - ii. A solution to ensure that the ongoing site costs can be managed; and
    - iii. A government contribution to allow enabling works to be undertaken to provide infrastructure to allow the site to be developable.

- b. Financial indemnities will be in place to cover unanticipated costs of remediation of the land under the coke ovens and blast furnace.
8. Formal approval to the delivery of the individual elements of the Plan will come forward to Cabinet as required.

## **FINANCIAL IMPLICATIONS**

9. At this stage there are no financial implications for TVCA of the Transition Plan itself and any future financial implications will come to this cabinet for a decision at the appropriate time.

## **LEGAL IMPLICATIONS**

10. This report does not have legal implications at this time.

## **RISK ASSESSMENT**

11. Whilst the delivery of the Transition Plan will involve the management of a number of risks, the approving the Plan itself is considered low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **CONSULTATION**

12. The content of this report has been considered by Tees Valley Chief Executives, South Tees Site Company Board and South Tees Development Corporation Board, as well as by BEIS civil servants.

**Name of Contact Officer: Julie Gilhespie**

**Post Title: Finance Director**

**Telephone Number: 01642 528834**

**Email Address: [julie.gilhespie@teesvalley-ca.gov.uk](mailto:julie.gilhespie@teesvalley-ca.gov.uk)**

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**Appendix 1 to this report is not for publication by virtue of paragraphs 3 of schedule  
12A of the Local Government Act 1972**

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**Key:**

Red land former SSI owned by Official Receiver (pink leased to OR from Tata)

Yellow land Tata owned

