

Tees Valley Combined Authority Cabinet Agenda

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Date: Monday, 5th February, 2018 at 09.00am

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)
Alistair Hudson (Member of Tees Valley Local Enterprise Partnership)
Mike Matthews (Member of Tees Valley Local Enterprise Partnership)
Siobhan McArdle (Member of Tees Valley Local Enterprise Partnership)
Nigel Perry (Member of Tees Valley Local Enterprise Partnership)
David Soley (Member of Tees Valley Local Enterprise Partnership)
Albert Pattison (Member of Tees Valley Local Enterprise Partnership)
Graham Robb (Member of Tees Valley Local Enterprise Partnership)

AGENDA

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

The minutes of the meeting held on 21st December, 2017 for confirmation

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4. Announcements from the Chair

5. Managing Director's Update

Attached

6. Combined Authority Budget 2018/19

Covering Report

Mayor's Statement (Appendix 1)

Budget Report (Appendix 2)

Pay Policy Statement (Appendix 3)

Overview and Scrutiny Committee Report (Appendix 4)

7. Treasury Management Strategy 2018/19

Attached

8. Kirkleatham Estate

Attached

9. Feethams, Darlington

Attached

10. Enhancing our Local Economic Impact

Attached

11. Transport for the North Strategic Transport Plan

Attached

12. Inspiring Our Future

Attached

13. Routes to Work

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Attached
Appendices A-E To Follow

14. Governance & Appointments

Attached

15. South Tees Development Corporation Update*

**This report is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972*

16. Date of next Meeting

Wednesday 28th March at 13.00 pm

FOR INFORMATION

17. Delegated Decisions

Attached

Members of the Public - Rights to Attend Meeting

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

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Tees Valley Combined Authority Declaration of Interests Procedures

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

Personal Interests

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

Declarations of interest relating to the Councils' commercial role

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

Procedures for Declaring Interests

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

Register of Interests

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

Declaration of Interests at Meetings

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

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

Sensitive Information

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

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TEES VALLEY COMBINED AUTHORITY CABINET

Cavendish House, Teesdale Business Park, Stockton-On-Tees at 10.00am on
Thursday 21st December, 2017

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

<p>TVCA 49/17</p>	<p>DECLARATIONS OF INTEREST</p> <p>Mayor Budd declared an interest in agenda item 6 as Mayor of Middlesbrough.</p>
<p>TVCA 50/17</p>	<p>MINUTES</p> <p>Consideration was given to the minutes of the meeting held on 23rd November 2017.</p> <p>Councillor Jeffrey requested that minute TVCA 39/17 be amended to “Councillor Jeffrey and Mayor Budd challenged the breakdown of the funding, its additionality, and also the misleading way the debate on the South Tees Development Corporation Funding had happened in the press and public”.</p> <p>Councillor Akers-Belcher requested that resolution i) of minute number TVCA 39/17 be amended to “That the Routes to Work Programme be brought to a Cabinet meeting for agreement and ratification of spend and delivery plans”.</p> <p>RESOLVED that the minutes of the meeting held on 23rd November be amended as set out above, and then confirmed and signed as a correct record.</p>
<p>TVCA 51/17</p>	<p>ANNOUNCEMENTS FROM THE CHAIR</p> <p>No announcements were made by the Mayor.</p>
<p>TVCA 52/17</p>	<p>MANAGING DIRECTOR’S UPDATE</p> <p>Consideration was given to a report from the Managing Director, providing an update on key activities of the Combined Authority since the last Cabinet meeting.</p> <p>The Cabinet discussed the launch of the Industrial Strategy and the work being done by Tees Valley to ensure further alignment between the strategic economic plan and national policy.</p> <p>The Mayor updated the Cabinet on his meeting with the Rail Minister and the discussions on Darlington Station. The upcoming consultation on the Transport for the North Strategy was also discussed, and Cabinet requested that a report on this be brought to the next Cabinet meeting.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. That a report on the Transport for the North Strategy consultation be brought to a Cabinet meeting for consideration; and ii. The Managing Director’s update be noted.
<p>TVCA 53/17</p>	<p>INVESTMENT UPDATE AND PROJECT APPROVAL(S)</p> <p>Consideration was given to a report detailing progress with delivery of the Investment Plan. The report also presented Middlesbrough Borough Council’s (MBC) proposal to bring forward the development of new advanced manufacturing accommodation at Tees Advanced Manufacturing Park (TAMP) in Middlesbrough, designated as an Enterprise Zone.</p>

	<p>As part of this proposal, Cabinet approval was sought for an additional £6.15 million of Combined Authority investment in the TAMP project (on top of £1.5 million of grant funding previously approved).</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. the progress of the Investment Plan, including levels of funds committed and in the pipeline be noted; ii. MBC’s proposal to bring forward the speculative development of approximately 180,000 sq.ft. of new advanced manufacturing accommodation at TAMP be noted; and iii. the allocation of up to £6.15 million of additional Combined Authority investment funding in respect of site acquisition, ground remediation and infrastructure works at the TAMP site be approved.
<p>TVCA 54/17</p>	<p>BORROWING POWERS</p> <p>Consideration was given to a report detailing an update on the parliamentary process for borrowing powers legislation and the recommendation that Cabinet approves the delegation to the Managing Director to consent to the necessary legislation, once requested to by government.</p> <p>RESOLVED that consent to the necessary secondary legislation to establish the Combined Authority’s borrowing powers be delegated to the Managing Director.</p>
<p>TVCA 55/17</p>	<p>PRIORITY SECTOR ACTION PLANS</p> <p>Consideration was given to a report regarding priority sector action plans and the views of over 600 businesses from across Tees Valley who were contacted by independent economic consultants, Regeneris in 2017, to inform the development of 7 Sector Action Plans and 1 Cross-Cutting theme Plan.</p> <p>Cabinet discussed the definitions of the sectors and requested that the full detailed Sector Action Plans be circulated to Members for consideration. It was agreed to defer recommendations ii and iii of the report for further consideration in the budget process, and subsequent decision by Cabinet as the Sector Action Plans are further developed.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. the findings from the Sector Action Plan Work be noted and Sector Champions, with support from Officers, be charged with their annual update; ii. further labour market analysis to assess the particular constraints facing the construction, leisure and health and social care sectors and further assess the fitness of purpose (to these sectors) of the proposed workforce development programme be sanctioned.
<p>TVCA 56/17</p>	<p>LARGE LOCAL MAJORS SCHEMES FUNDING STRATEGY AND NEXT STEPS</p> <p>Consideration was given to a report providing an update on the development of Outline Business Cases for the New Tees Crossing and Darlington Northern Link</p>

	<p>Road funded by Department for Transport's (DfT) Large Local Major Schemes Fund (LLMs).</p> <p>Two members of the public were in attendance at the meeting and were invited by the Chair to speak. They expressed their support for the option being developed for the Darlington Northern link road, and for the opportunity provided by the consultation process. Cabinet welcomed their support and indicated that they would continue to ensure strong engagement with all community groups and the general public throughout the development of both schemes.</p> <p>Cabinet discussed the potential timescales for construction and completion of the Tees Crossing and the Darlington Northern Link Road, which were estimated at around 2023. The Head of Transport confirmed that both schemes would be classed as nationally significant infrastructure and therefore timescales for planning consent would be around 18 months to 2 years.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. the progress in developing proposals for a new Tees Crossing and the Darlington Northern Link Road be noted; ii. an allocation of up to £1 million in total for the two schemes be approved, as 20% matched funding alongside a proposal to DfT for £4 million from the Large Local Major Scheme budget, to continue further development of both proposals to a position where they could enter a national roads programme; iii. submission of the proposals to the DfT be delegated to the Managing Director of the Combined Authority in consultation with the Tees Valley Mayor and the Lead Portfolio Holder for Transport.
<p>TVCA 57/17</p>	<p>HOUSING INVESTMENT AGREEMENT</p> <p>Consideration was given to a report detailing the Housing Investment Agreement with the Homes and Communities Agency (HCA). The agreement had been developed by working in close partnership with the HCA, the constituent local authorities and registered providers.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. the proposed Housing Investment Agreement with the HCA that will provide significant support in the delivery of our housing priorities, with a total commitment of up to £91 million of additional HCA investment over a three year period, ring-fenced to the Tees Valley, to unlock sites, accelerate delivery and significantly increase the supply of good quality affordable homes, be endorsed; ii. the local delivery and governance arrangements which will best support implementation of the agreement; including a review of the remit of the Land Commission, be considered; and iii. responsibility be delegated to the Mayor and Portfolio Lead for Housing and Regeneration to finalise and sign the Investment Agreement on behalf of the Combined Authority and its partners.

<p>TVCA 58/17</p>	<p>GOVERNANCE AND APPOINTMENTS</p> <p>Consideration was given to a report setting out a number of changes to various Committees and Boards of the Combined Authority for consideration by Cabinet.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. the appointment of Councillor Katie Truman to the Overview & Scrutiny Committee, and the appointment of Councillor Carl Quartermain to the Culture & Tourism Thematic partnership Board be agreed; ii. the recruitment processes for the Audit & Governance Committee and the Local Enterprise Partnership Board be noted.
<p>TVCA 59/17</p>	<p>DATE OF NEXT MEETING</p> <p>The next meeting would be on Monday 5th February 2018. Cabinet requested that a later start time for the meeting be considered.</p>

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AGENDA ITEM 5

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

5 FEBRUARY 2018

REPORT OF THE MANAGING DIRECTOR

MANAGING DIRECTOR'S UPDATE

SUMMARY

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

RECOMMENDATIONS

For information and discussion.

DETAIL

Boulby Redundancies

1. The SSI Task Force has recently written to Greg Clark, Secretary of State, to ask for remaining SSI training and job support funds to also be made available to the 230 Boulby (ICL Group) workers that are currently at risk of redundancy. Additionally, they have requested that the flexibilities that were available to DWP and the colleges around training, including removing the 16 hour rule and the ability to fund part qualifications, be made available to address the Boulby workers. Recognising that the company is an international ongoing concern, the Task Force has asked for the Chair (Amanda Skelton) be given Government backing to negotiate with the company to secure their commitment to provide funds to support training.
2. Amanda Skelton, Linda Edworthy and Simon Clarke MP met with Andrew Griffiths, Under Secretary of State, on Monday, 22 January to discuss this request and an outcome from that meeting is expected shortly.

Carillion

3. Along with LEPs across the country, the Combined Authority has been asked to advise on the local impact of the collapse of Carillion, the major construction and facilities management firm. National government has been coordinating steps to secure continuity for large scale construction projects. Our local council partners do

not have a significant relationship with Carillion, and at this stage no local firms have sought help as a result of supply chain links. Business Compass continues to be available to respond to any local firms affected, as the supply chain impact becomes clearer.

4. Our primary concern has been the impact on apprentices and trainees, including 124 people at Carillion's Middlesbrough Training Centre. Efforts to find suitable alternative places are being led by the Construction Industry Training Board, with our support and close liaison with local colleges and other providers.

Freeport Status

5. The Mayor has secured the support of 50 local businesses for a proposal to the Chancellor of the Exchequer, to explore the benefits of Freeport status in enhancing trade, investment and local growth, using the Tees as a national case study. Freeports exist around the world, and provide special freedoms to trade, and exemptions from certain operational, regulatory and customs requirements.

Mary Ney LEP Review

6. Following the recently published "Review of Local Enterprise Partnership Governance and Transparency", led by Mary Ney, Non-Executive Director, DCLG Board, Cabinet agreed that the Combined Authority would implement further procedural improvements to ensure we stay at the forefront of best practice. As a statutory Combined Authority, the Tees Valley meets or exceeds the requirements set out in the report, but further improvements have been made to the Whistleblowing/Confidential Complaints procedure. The government has now published further guidelines in response to the Ney Review, which are expected to be met by all Local Enterprise Partnerships. We are reviewing our guidelines and forms to ensure we continue to meet or exceed best practice.

Durham Tees Valley Airport

7. The Mayor and Cabinet members have proposed a special meeting to review progress on discussions about the future of Durham Tees Valley Airport. This is now being organised, as a closed session to allow members to discuss commercially confidential matters.

Senior Staff

8. Our new Head of Communication and Marketing, Neal Smith, has now started work. Neal previously led the communication function for Virgin East Coast, and previous East Coast franchise holders. An experienced communications professional, Neal has also worked for the Association of North East Councils. Neal will lead the development and delivery of our Communication and Marketing Strategy, with an emphasis on active communication and engagement with our partners, investors and the wider public. The role is a joint appointment with the South Tees Development Corporation.

FINANCIAL IMPLICATIONS

9. There are no financial implications to this report.

LEGAL IMPLICATIONS

10. There are no legal implications to this report.

RISK ASSESSMENT

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

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AGENDA ITEM 6

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

5 FEBRUARY 2018

REPORT OF THE MANAGING DIRECTOR

PORTFOLIO: INVESTMENT

BUDGET 2018/19 AND INVESTMENT PLAN

SUMMARY

The Cabinet agreed the draft Combined Authority Budget 2018/19 for a period of public consultation in November 2017. This report sets out the outcome of the public consultation process, presents the report of the Overview and Scrutiny Committee and highlights any key changes to the budget since the November Cabinet meeting.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Consider the responses to the consultation process;
- ii. Consider the report of the Overview and Scrutiny Committee;
- iii. Approve the Combined Authority's Budget for 2018/19;
- iv. Note the Pay Policy Statement.

DETAIL

1. The Combined Authority is required to set out its Budget on an annual basis, and to consult publicly before its submission to Cabinet. We also committed to review the Investment Plan, previously agreed in March 2017, in the light of new developments including the election of the Tees Valley Mayor. Together the Budget and Investment Plan provide the financial framework within which the Combined Authority will operate in the forthcoming financial year (2018-19) and over the medium-term.
2. The Cabinet agreed the Budget 2018/19 and Investment Plan for consultation in November 2017. It was published on the Combined Authority's website, highlighted to key partners and circulated via our social media channels. The consultation period closed on 5th January. We received specific responses from 2 MPs, the Engineering Employers Federation and Teesside University. The budget and investment plan

were welcomed, with recognition of the impact devolved powers and funding were having since the creation of the Combined Authority. In summary, responses also focused on:

- the importance of the South Tees Development Corporation site and clarity over roles and responsibilities;
- seeking clarity on successor funding for European Funds;
- welcoming the focus on investment in Transport infrastructure; and seeking further clarification of priorities from new resources;
- progress with the future of Durham Tees Valley Airport;
- welcoming focus on investing in job creation, employability pathways, skills etc.;
- the need for an increased focus on the partnership with Higher Education.

We also hosted a focus group of small businesses, facilitated by Business Compass, which contributed specifically to discussion of the proposals for additional resources for access to finance by SMEs.

3. The Overview and Scrutiny Committee are an important part of the budget setting process and they set up a Task and Finish Group, led by the Vice-Chair, Councillor Ian Haszeldine, to consider the draft Budget in detail. The report of the Committee is attached at Appendix 4, and both the Chair, Councillor Norma Stephenson, and Vice-Chair, Councillor Ian Haszeldine, will be in attendance at the Cabinet to present their report on behalf of the Committee.
4. As a consequence of issues raised in the consultation, proposals during the consultation period and new developments since the draft Budget was published in November, there are a number of changes made to the Budget document:
 - An additional £9 million has been committed to projects including £6.2 million towards Teesside Advanced manufacturing Park project and £1.7 million to the Salters Lane project.
 - Amendments to the core budget to reflect the proposed pay award settlement
 - Additional policy support for Council Leaders, LEP private sector members and the Tees Valley Mayor.
5. A statement from the Mayor on the budget for 2018/19 is attached at Appendix 1. The updated Budget 2018/19 and Investment Plan report is attached at Appendix 2 for Cabinet consideration and approval. Under constitutional and statutory arrangements, the budget can be approved, unless amendments are proposed by members. Members are asked to submit proposed amendments by 1st February, to allow them to be circulated in advance to Cabinet. In the event there are amendments proposed, these will be discussed at the Cabinet meeting on 5th February, and considered in line with the Combined Authority's constitution.
6. In line with regulations, the Combined Authority has also produced its Pay Policy Statement for 2018/19, drawing on the equivalent policy statement by Stockton Borough Council who led on HR Policy on behalf of the Combined Authority. This is attached at Appendix 3.

FINANCIAL IMPLICATIONS

7. This report sets the budget for the Combined Authority.

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

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

CONSULTATION

10. Consultation was undertaken with the public and key stakeholders from 24th November 2017 to 5 January 2018. The Overview and Scrutiny Committee have undertaken their Task and Finish Group process during the consultation period.

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Appendix 1

COMBINED AUTHORITY BUDGET

STATEMENT BY THE TEES VALLEY MAYOR

As required by the legislation establishing the Mayoral Combined Authority, and following consultation and scrutiny, I propose this draft budget for approval by the Cabinet.

The Budget reflects the wide-ranging responsibilities we have taken on under the historic devolution deal. A deal that simply would not have been possible without the brilliant work of the leaders of our five local authorities. It is a Budget that provides additional funding to create and grow local businesses, modernise our economy, strengthen our infrastructure, and invest in the future of our residents. Rather than individual projects determined behind a desk in Whitehall, we are taking local responsibility for funding our own Strategic Economic Plan, making long-term commitments and responding to local needs and opportunities.

The Budget also reflects a review of our Investment Plan, agreed in March 2017 by the Council Leaders and LEP Members on the proviso it would be reviewed by the in-coming Mayor. Since then we have received substantial allocations of funding; for example for public transport, cultural development, and for investment in business. And we have also made progress in delivering our investment programme, and agreeing new commitments to priority projects with a strong commercial business case. Aside from these additional allocations, I can confirm the attribution of funding to priority themes that was set out last March. This clearly demonstrates the cross-party support for the long-term programme of investment set out by the Combined Authority.

I can confirm that I am not proposing to set a council tax precept or levy. Nor will our Budget add additional costs to our local councils who are delivering fantastic services to communities, despite the immense financial pressures they face. Instead, by growing our business rate base, attracting additional investment and strengthening collaboration, the Combined Authority will make a positive contribution to the funds available at local level. I also welcome the Chancellor's commitment to introduce new borrowing powers for Mayoral Combined Authorities, which will strengthen our ability to attract new jobs and investment. We have already started to bring forward transformational projects in anticipation of these new powers.

I am grateful to the members and officers who have worked together so effectively to bring this programme together. In particular to Cllr Sue Jeffrey, in her role as Cabinet Member for Investment, who throughout this process has helped challenge and shape this Budget. I also want to thank our LEP board members, and indeed the Overview and Scrutiny Committee for their work dissecting the Budget with such rigour.

What I present to you today is a Budget that is testament to collaboration and joint working, which is fast becoming a hallmark of the way we work in the Tees Valley.

Ben Houchen
Tees Valley Mayor

TEES VALLEY COMBINED AUTHORITY BUDGET AND INVESTMENT PLAN

1. The Tees Valley Combined Authority was created in April 2016 and agreed its first Investment Plan 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.
2. The Combined Authority also committed to refresh the Investment Plan in autumn 2017, to reflect new priorities established by the first elected Tees Valley Mayor, and other developments. Following the review by the Mayor, we remain committed to the priorities set out in March 2016 and as a result are not proposing any change in the allocation of funds across our core themes, except to the extent that new funding has been secured.
3. The Combined Authority has made significant progress over the last six months in obtaining additional funding. As a result, the revised Investment Plan needs to reflect £19 million of additional funding secured for the Tees Valley, made up of:
 - £11 million of finance for business, allocated to the Tees Valley Combined Authority as a return from investment by previous North East regional funds;
 - £6 million of funding from Government to create the Routes to Work programme, to help people most distant from the labour market to find work;
 - £1.5m Great Places funding from Government to fund culture and tourism events in the region;
 - £0.2m funds from BEIS to contribute towards our existing growth hub service; and
 - £0.2m from Government to extend the careers and enterprise programme.
4. Since March 2017, the Combined Authority Cabinet has continued to make commitments in line with its Investment Plan priorities, committing a further £32million to projects, including:
 - £7 million of Development Funding on proposals for future investment;
 - £7.5 million on Routes to Work;
 - £6.2 million towards Teesside Advanced Manufacturing Park project;

- £1.5 million to deliver the Great Places initiative;
 - £1.8 million from the Culture Programme;
 - £2 million in grants to support apprenticeships;
 - £1.7 million on Salters Lane project;
 - £2.3 million on local transport projects; and
 - £1.5 million on other smaller investments.
5. Other adjustments to the funds available in the Investment Plan have been made as a result of external circumstances, being:
- a lower estimate of income from retained business rates from Enterprise Zones, of £4 million (2017-21), due to reductions in the rateable value of business properties compared to initial estimates; and
 - a £2 million reduction in European funds as a result of fall in the value of Sterling compared to the Euro.
6. In addition, in October 2017 the Combined Authority secured £8 million in investment for local roads, which will be channelled directly to the lead local authorities so will not form part of the investment Plan. There are also further proposals in the pipeline to Government, including for investment in housing growth, in demonstrating Carbon Capture and Storage technology, and for major transport infrastructure. As and when these proposals are successful, their resource implications will be reflected in future versions of the Investment Plan.
7. The Chancellor's 2017 Budget announced a £59 million allocation to the Combined Authority from the Transforming Cities Fund, as part of a guaranteed funding commitment to Mayoral Combined Authorities. This new funding will help connect communities and improving the quality, frequency and reliability of public transport across the Tees Valley. The tables throughout this document have not been updated to reflect this new allocation as we do not yet have details of when and over how many years, this funding will be received. Nevertheless work is underway to establish a Transport Plan, for consultation in spring 2018, which will determine our priorities for local transport investment.
8. The table below summarises the revisions to the Investment Plan since it was first published in March 2017. In total, the resources available to the Combined Authority over the five year period (2016-21) are now estimated at £477 million, of which £275 million has been committed to projects and programmes. This includes the Tees Valley's European funds, commitments from these funds has been guaranteed by Government up to the point the UK leaves the EU.

Summary	Total Funds Secured (£million)	Commitments (£million)	Available Funds (£million)
<u>Investment Plan Review - October 2017*</u>			
Direct TVCA Resources	£306	£205	£101
European Funding	£171	£70	£101
Total Revised Investment Plan	£477	£275	£202
<u>Changes Include:</u>			
<i>Additional Direct Resources</i>	<i>+£19</i>	<i>+£32</i>	<i>-£13</i>
<i>Enterprise Zone Income Change</i>	<i>-£4</i>	<i>n/a</i>	<i>-£4</i>
<i>Euro Exchange Rate</i>	<i>-£2</i>	<i>n/a</i>	<i>-£2</i>
Net Change	+£13	+£32	£-19

South Tees Development Corporation

9. South Tees Development Corporation (STDC) was established on 1 August 2017 to develop the South Tees site in Redcar. The Masterplan for the site was officially launched on 18 October 2017 and STDC has now completed a public consultation on its plans.
10. The Chancellor of the Exchequer announced in the 2017 Budget that the South Tees site will benefit from £123 million of new funding, responding to proposals put to government by the STDC and site company. This funding comprises £68 million to maintain the site in a safe and secure condition over the next 4 years; around £50 million for the first phase of remediation work to make areas of the site ready for investment; and a further £5 million to support the delivery of the Development Corporation itself, including technical investigations and marketing the site to investors. Discussions are underway with government officials to determine the basis through which this allocation will be delivered; including the respective responsibilities of the STDC and South Tees Site Company. Where funding allocations are channelled through the Combined Authority to the STDC, thereby reinforcing local responsibility and accountability, they will be reflected in future versions of the Investment Plan.
11. The Combined Authority and STDC officials are in discussions with civil servants through a Transition Group that is tasked with looking at how the former SSI site can be passed into local control. In principle greater local responsibility would enhance opportunities to deliver new investment and jobs on the site. However any transfer of functions would require agreement by the Combined Authority, following assurance that any new risks and liabilities will be met by equivalent assets or new funding. The Transition Group will bring forward proposals to Government and the Combined Authority for consideration within the next few months

12. To ensure we can make immediate progress in preparation for future development, the Combined Authority has also made available £750,000 of development funding.

European Funding

13. European funding will come to an end when the UK leaves the European Union. The government has, however, guaranteed that any financial commitments entered into before April 2019 will be honoured by the UK government after Brexit. On this basis we have continued to support the delivery of the Tees Valley's £170 million European Structural and Investment Funds (ESIF) allocated for the 2014-2020 period. There is no commitment beyond this period and Government is yet to publish details of its proposed UK Shared Prosperity Fund. The mayor has called upon the Government to confirm at least the same level of funding to the region that was available under the European programmes and to ensure that the replacement funding comes directly to the Tees Valley in a flexible manner that reflects Combined Authority devolved responsibilities.
14. Following Cabinet agreement, the Combined Authority has applied for Intermediary Body (IB) Status for ESIF funding, which will give us greater involvement in the preparation and issuing of calls for projects and in the appraisal of projects. IB status for both ERDF (business support, innovation, ICT and low carbon activity) and ESF (skills and employment) has now been confirmed.
15. We will continue to maximise all opportunities to utilise the ESIF funds and encourage partners to develop proposals. The key challenge for most organisations is the availability of match funding, and we will work within our Investment Plan to facilitate the use of these funds for activities that will support the delivery of our Strategic Economic Plan.
16. We currently have £101 million of European Funds available and the latest round of calls were launched in early December with a closing date of late January for outline applications. The current pipeline for European funding is £34.4 million with a minimum requirement for £14 million match from these proposals. The Combined Authority will review its obligations in respect of match funding, and, if appropriate, will suggest changes to funding allocations to allow us to maximise the use of these funds. A review of the delivery of EU funds will be brought to Cabinet in March.

Teesside Pension Fund

17. A Memorandum of Understanding has been signed with the Teesside Pension Fund (TPF), through which £200 million has been identified for investment in the area, to be delivered alongside the Combined Authority's own Investment Plan.
18. We are working with the TPF and its fund managers to establish projects from within our Investment Plan that would meet its investment requirements, with the intention of co investing. A number of current Expressions of Interest have been shared with the Fund's managers and advisers, and active discussions are under way between the Combined Authority, several of its partners and the fund

managers to assess the potential suitability of those projects for investment in line with the Fund's investment parameters.

Project Development

19. The Combined Authority and its five partner councils are working together to develop future pipeline of investments which includes an active pipeline of 43 proposals amounting to £188 million currently under assessment; although we expect this figure to fall as we work with partners to review, prioritise and explore alternative funding sources for those projects where this is appropriate.
20. The Combined Authority cabinet recognised at an early stage that providing resources to fund this type of development is a significant enabler to bringing major infrastructure projects forward on a timely basis. To allow this to happen it set up the £7 million Development Fund with delegated authority to the Combined Authority Managing Director, in consultation with the Mayor, to authorise funding for individual projects that meet the criteria.
21. The Development Fund has proved very valuable in allowing the Tees Valley to develop, challenge and refine proposals before they are brought to Cabinet for agreement. The Development Fund also allows the Combined Authority to strengthen the business cases for proposals to central government, and contributes to the high success rate of those proposals in securing additional investment. As projects supported by the Development Fund come forward successfully for investment, they repay the Development Fund, thereby recycling resources for re-investment into other projects. Two projects supported by the Development Fund have recently moved onto the next stage and have as a result of this, have repaid their development funding into the fund.
22. Due to the success of the Development Fund which is now fully committed, it is proposed to supplement it by an additional £3 million, bringing the total funding available to £10 million (for allocation up to 2021). This would be financed by transferring the £3 million previously allocated under the Investment Plan for "flexible delivery" into the Development Fund. The Combined Authority Cabinet has now established a framework for devolved decision-making which can support the flexible response to urgent priorities from mainstream sources, and a separate flexible fund is therefore no longer necessary.
23. Further details of the programmes supported by the Development Fund are set out in Annex B. We expect some of the projects currently under development to come forward for decision over the next few months. The Combined Authority also continues to welcome additional Expressions of Interest from public and private sector partners, where there is a clear link to the delivery of the Strategic Economic Plan, and a strong business case for investment. Expressions of Interest can be submitted at any time. Initially we envisaged quarterly calls for partners to submit proposals within pre-set windows, but experience with the first round of proposals suggests that an open window approach will allow us to be more responsive to opportunities and accelerate delivery.

Finance for Business

24. This Investment Plan makes progress on the proposal to improve access to finance for business, by bringing forward new proposals for additional support for

Tees Valley businesses seeking investment. Plans involve allocating £11 million of funding recycled from previous regional ERDF funded investments, including the North East Jeremie Fund, which adds to the existing approved £5 million business support allocation within the Investment Plan, to provide an initial £16 million funding allocation to business for propositions that are unable to access finance from other sources. This will be an important addition to our available funds, to ensure that businesses that are able to grow and contribute to wider economic growth are not constrained by an inability to access funding to support their plans.

25. We intend to appoint a dedicated Business Finance Manager who will co-ordinate access to this and the other funds (including the Northern Powerhouse Investment Fund), as well as working with the private sector to ensure that businesses can find the right funding for their requirements.

Sector Action Plans

26. We commissioned the production of Action Plans covering 7 key sectors, delivered by independent economic consultants, Regeneris, working with businesses across the region. The purpose of this exercise was to provide a sectoral analysis in relation to the Combined Authority's published 25,000 jobs target as well as to identify actions that need to be undertaken to take these matters forward. This budget sets aside a financial allocation of £2 million to cover the financial implications over a three year period but projects will be approved on an individual basis as they come forward.
27. Cabinet will review the future developments of the Sector Action Plan on a sector by sector basis with individual decisions to be brought forward to Cabinet. These will include initiatives which will lead to increased collaboration, promotion of circular economy/digitisation solutions and the creation of 20-25 very high potential start-ups in both private and community sectors.

Additional Priorities

28. In addition to the programmes set out in this Investment Plan, the Tees Valley Mayor has made some specific additional commitments in his election campaign, which are currently under development by the Combined Authority. These include:
 - A proposal to secure the future of Durham Tees Valley Airport. Initial discussions are underway with the current airport owners to secure a solution that is sustainable, viable and reflects value for money. Development funding of £0.5 million has been set aside for the Combined Authority (of which £46k has currently been spent) to commission legal and financial assessments required to support and inform the Combined Authority Cabinet. This funding will also help further develop a sustainable long-term plan for the airport. Subject to progress with these discussions, proposals would then be brought forward to the Combined Authority Cabinet for approval; and
 - Proposals to establish a viable and sustainable new garden town settlement. The Combined Authority is working closely with the Homes and Communities Agency on an initial assessment of the scope, scale and location of a new settlement. Further details will be brought forward when this assessment is complete.

Investment Themes

29. The Combined Authority's Investment Plan published in March 2017 made indicative allocations of funding between the key themes of the Strategic Economic Plan. Revised allocations are summarised in the table below. Since March 2017, allocations have been adjusted to reflect:
- the additional funds £19 million secured by the Combined Authority, as set out in paragraph 3 above;
 - re-assignment of £21 million of European Funding from Business Growth to Research and Development, Innovation and Energy to reflect a realignment of European priorities for these funds;
 - a reduction of European Funding for Skills and Employment of £2 million, due to fluctuations in the exchange rate; and
 - reductions in Enterprise Zone Income of £4 million, resulting in less available funding for enabling infrastructure.
30. No other changes are proposed. The broad priorities established by the March 2017 Investment Plan therefore remain on track, and no fundamental change to relative priorities is currently proposed.

INVESTMENT THEME SUMMARY 2016/17 – 2020/21					
Theme	Notional Allocation £m	Committed Funds £m	Available Funds £m	TVCA Funds £m	ESIF £m
Business Growth	105	50	55	21	34
Research, Development, Innovation & Energy	81	41	40	15	25
Education, Employment & Skills	116	59	57	16	41
Culture	12	3	9	8	1
Transport	115	94	21	21	0
Enabling Infrastructure	37	21	16	16	0
Project Development	10	7	3	3	0
Evaluation	1	0	1	1	0
TOTAL	477	275	202	101	101

31. The next sections of this report set out in more detail the latest position on each of the Investment Plan themes, identifying new developments and up-coming opportunities.

Business Growth

32. Significant improvements have been made in the provision of business support through the expansion of Tees Valley Business Compass, and to access to finance for business through the establishment of the Northern Powerhouse Investment Fund. However, there are opportunities to develop more targeted approaches to supporting scale-up and potential scale-up businesses.
33. The Tees Valley has participated in a number of previous regional Access to Finance funds, which successfully invested money in businesses, who later repaid those investments. Where European Funding was involved, the agreements establishing the Funds specified that, providing certain conditions were met, recycled loans could remain within the region for further re-investment. The Tees Valley Combined Authority is now in a position to secure the benefit of that recycled funding support business growth, and to address gaps in the financial support currently available to local businesses. A proposal will be submitted to DCLG in March in order to be in a position to launch an expansion of our Access to Finance Support in the spring. Additionally, existing single pot funds can be utilised to provide very flexible access to finance where other funds are not appropriate. By bringing together £11 million available from legacy funds, alongside £5 million identified from the Investment Fund, we propose to create a new business finance facility. This additional £16 million funding could leverage a further £35 million of private investment. Further allocations may be made, on a recycled funds basis, as the programme is developed.

Research, Development, Innovation & Energy

34. With the launch of the UK's Clean Growth Strategy, industrial decarbonisation is becoming an increasingly important Government priority, along with the decarbonisation of heat and transport. Tees Valley is uniquely positioned to offer the opportunity to develop, pilot, and commercialise new technologies needed for significant decarbonisation and position itself as a test bed for the UK and are in discussions with Government about bringing forward a proposal.
35. We are developing district heating projects which utilise waste industrial heat and will aim to take these projects through to delivery in 2019. We are working in partnership with other public sector bodies to provide a comprehensive scheme that will benefit the Tees Valley economy as well as contributing to the alleviation of fuel poverty.
36. The Government has announced £23 million for hydrogen refuelling stations and a £25 million fund to investigate the safety case for using hydrogen to heat residential houses; coupled with a £15 million bid to Ofgem by Northern Gas Networks. We would expect a proportion of this funding to be invested in the region and the Combined Authority. During 2018 we will be submitting a bid to Government for Hydrogen refuelling station and along with partners we will be developing a hydrogen train proposal.
37. Government has announced a Heat Recovery Fund aimed at supporting industrial companies to recover and use heat. We will be supporting companies to apply for this support.

38. Tees Valley is also pioneering Carbon Capture Utilisation and Storage and has submitted a proposal to move the project forwards. We expect this process to start in 2018, for delivery by the end of this Parliament.

Education, Employment & Skills

39. The Combined Authority, working with its partners and local businesses, will focus on creating clear pathways for young people from education into good quality jobs and creating a skills system that provides business with the skills they need to grow. We will shortly be publishing the results of our plan to build the skills we need for a modern economy in the Tees Valley, titled "Inspiring our Future".
40. To achieve this we will:
- support innovation and collaboration between schools in addressing common challenges;
 - reduce the skills gaps experienced by employers in high growth sectors;
 - help businesses create more, higher level apprenticeships, leading onto high quality jobs;
 - expand the opportunity for young people to take up apprenticeships and access high quality technical education;
 - improve skill routeways to entry level and good, progressive jobs;
 - support people most distant from the labour market to secure and retain work;
 - improve and extend high quality Careers Education for all;
 - work with businesses to identify and plan for their future skills demands;
 - ensure local communities have access to high quality college and training facilities; and
 - enhance the role the Tees Valley's Higher Education institutions play in delivering economic growth.
41. In delivering all of these priorities we will ensure that business plays a leading role in setting priorities, identifying barriers, and delivering better outcomes, and that high quality evaluation and research drives future improvements and helps the Tees Valley learn from experience.
42. As part of the signed devolution deal, the Adult Education Budget for the Tees Valley will be devolved to the Combined Authority to provide local management of skills training for unemployed adults aged 19+ and resident in Tees Valley. This is currently planned to take effect from August 2019. This is an important first step into devolution of skills funding, which could provide the evidence that greater alignment of skills funding to local need can deliver faster and more appropriate outcomes for economic growth. This opportunity enables the Combined Authority to influence the skills system in Tees Valley to better fit the needs of local people and businesses.

Culture and Tourism

43. Central to our Culture and Tourism strategy is working towards a bid to be City of Culture 2025. Our cultural strategy involves investing in our heritage with the greatest potential to attract visitors and influence the visitor economy, investing in high quality festivals and events, supporting the creation of new events and festivals and building capacity within the cultural sector to create a stronger cultural ecosystem.

44. We have begun our investment in the large heritage sites connected to the Stockton and Darlington Railway, the Maritime heritage in Hartlepool and the 17th Century landscape at Kirkleatham. We have also invested in the Stockton International Riverside Festival, the Festival of Thrift and a new Waterfront Festival in Hartlepool. We have already engaged festival developers to initiate work on the 200th Anniversary of the Stockton and Darlington Railway in 2025. National Portfolio Organisation status has now been achieved for Middlesbrough Town Hall and for the collaboration between the five main museums,
45. We are discussing with the Arts Council how to secure joint investment in creating a step-change in opportunity and practice in Tees Valley. In terms of capacity building, particularly in relation to our forthcoming bid to be City of Culture, we are now developing 3-4 year development plans for each art form - theatre, film, literature and writing, dance, outdoor and combined arts, music and visual arts. We are beginning to discuss plans for our early City of Culture conversations with our communities. We will invite artists to bid to help develop this work.
46. Tourism product and business development will begin shortly and the team will engage with VisitBritain and VisitEngland on domestic and international marketing. The tourism team will work closely with colleagues in each authority and will focus on product development to create a much stronger understanding of what Tees Valley can offer visitors.
47. As part of the Stockton and Darlington railway heritage project we are currently compiling a bid to the Northern Cultural Legacy Fund which offers the potential to secure a grant for up to £4 million. In order to achieve this the bid requires match funding of £1.65 million for which we are currently exploring options for third party contributions.

Transport

48. The Combined Authority has established four principal priorities for transport infrastructure:
 - a new Tees Crossing;
 - improved East West Connectivity via the A66;
 - Darlington Station improvements; and
 - improvements to the rail line between Teesport and Northallerton, which will include a significant upgrade to Middlesbrough Station.
49. These priorities are endorsed in the new strategy published in January 2018 by Transport for the North, launched at Darlington Station. This demonstrates that the Tees Valley's transport priorities are also critical for connectivity across the Northern Powerhouse, and that the Tees Valley is playing a constructive role as part of the agreed Transport for the North investment plan. We will also soon be publishing our Strategic Transport Plan for the Tees Valley, which places an emphasis on assisting economic development and delivery of the Strategic Economic Plan, whilst also recognising and improving the contribution our transport system makes to social and environmental objectives.
50. Important objectives include reducing congestion and improving the operation of the Tees Valley Key Route Network (Roads), improving local, regional and national rail connectivity and delivering a better bus network for the area.

51. Ensuring good access to key development sites such as the South Tees Development Corporation is also a key objective of the plan.
52. Tees Valley partner authorities recently received £8.5 million from the National Productivity Investment Fund for 3 road improvement schemes in the Tees Valley area. There may be other rounds of this fund, and potentially another round of Highways Maintenance Challenge Fund for repairs to the existing network.
53. Department for Transport are in the process of finalising their investment programme for their Road Investment Strategy 2. £15.2 billion was committed to RIS one for the period 2015-2020 and it is likely the investment figure for RIS2 will be similar. This provides an opportunity to source funding for our two large local Major Scheme projects - New Tees Crossing and Darlington Northern Bypass. Proposals have now been submitted to government for the next stage of development work on these projects, with preferred routes identified.
54. The Chancellor's 2017 Budget announced a £59 million allocation to the Combined Authority from the Transforming Cities Fund, as part of a guaranteed funding commitment to Mayoral Combined Authorities. This new funding will help connect communities and improving the quality, frequency and reliability of public transport across the Tees Valley.
55. Similarly it has been announced that £38 billion will be available for Network Rail's CP6 Investment Period from 2019-2024. The emphasis for this funding is on maintenance and renewal, but guidance on how to access monies for 'enhancements' is expected by the end of the year. This will allow an understanding of how financial contributions towards Darlington Station improvements, Middlesbrough Station improvements, extra platform capacity at Hartlepool station and investment in the Teesport to Northallerton rail line might be accessed.
56. There are also opportunities for investment via the new Housing Infrastructure Fund, which allows funding for transport schemes that open up housing sites for development.

Housing and Infrastructure

57. A Housing Investment Agreement has now been reached with Homes England (formerly the Homes and Communities Agency), to bring substantial additional investment to accelerate the delivery of new homes. The Agreement identifies £90 million of additional ring-fenced funding for the Tees Valley, plus additional funding set aside for land assembly and local delivery capacity. Since Homes England remain accountable for that funding, and it is likely to pass directly to delivery partners, it is excluded from the Combined Authority's Investment Plan. As a next stage, significant work is being undertaken with Homes England, local authorities and housing partners, which has included a detailed line by line analysis of all housing sites across Tees Valley. This work has identified actions to unlock these sites and accelerate housing delivery, including the need to significantly increase the provision of affordable housing in the intermediate market. We will deliver a 6 month action plan that focuses on the three key priorities of unlocking sites, accelerating delivery and increasing affordable homes provision.

Funding beyond 2021

58. The current Combined Authority Investment Plan covers the period 2016-21, and no commitments have yet been made beyond that point. However, many of our functions, in areas such as transport and infrastructure, and to deliver the opportunities of the South Tees Development Corporation, need to take a longer term approach to investment. And some of the Expressions of Interest currently under consideration may involve commitments for funding, and commercial returns, which extend beyond 2021.
59. The Combined Authority also benefits from longer-term funding commitments from Government. The Devolution Deal secured a commitment from an annual allocation of £15 million a year up until 2031, and our income from retained business rates on enterprise zones extends until 2037. As the Combined Authority starts to establish an asset base, we can take a longer term approach to our investments.
60. In addition, the Government has committed to granting borrowing powers to Mayoral Combined Authorities from 2018, within a borrowing limit to be determined. The Combined Authority has proposed to Treasury that our limit is set high enough that it will not constrain our ability to borrow according to the Prudential Code, which allows local authorities to borrow where a strong investment case exists, and the costs of borrowing can be met through the returns from investment.
61. Future Investment Plan reviews will therefore extend the horizon for investment into future years, as new borrowing powers are established and longer term commitments are brought forward.

Core Budget

62. In order to deliver on our ambitious programme and meet the requirements of the Strategic Economic Plan, we need adequate core capacity within the Combined Authority team. The team now operates across a wide range of areas: delivering business support, securing inward investment, developing investment projects, promoting skills and employment, developing transport infrastructure and services, securing investment in new homes and communities, and promoting culture and tourism. The Combined Authority amalgamates a number of different functions which in other parts of the country are managed separately, including as the Tees Valley's Local Enterprise Partnership and Strategic Transport Authority. Functions have been secured from central Government, delivering responsibilities previously exercised in Whitehall, and not by drawing powers and funding from local councils.
63. As well as setting out longer-term priorities, and refreshing our Investment Plan, the annual Budget is an opportunity to review the core funding needed to deliver on those priorities. This is particularly necessary as the Combined Authority continues to take on new responsibilities from central Government, with more devolution on the way.
64. There is also scope for efficiency savings, as new responsibilities are delivered more effectively over time, and functions can be brought together to create synergies which release resources for other priorities. During 2017-18, the Combined Authority has secured 7% efficiency savings on its existing functions.

The Combined Authority is committed to continue to review core costs and make efficiency savings where possible. A target of 5% savings has been set for 2018-2019.

65. As the Combined Authority grows and takes on additional responsibilities there is an increasing need to fund additional staff commensurate with those additional responsibilities. In addition we are expanding internal delivery capacity to minimise the need for external consultants. As a result we expect staff numbers to increase from 53 to 74 in the coming year. Of this increase, 9 are funded by income provided to deliver the programmes to which the funds relate. The Combined Authority also hosts a number of other members of staff working on specific projects, including Business Compass and Routes to Work. We also work closely with the team responsible for the South Tees Development Corporation, with a number of joint posts
66. There remain some areas of cost pressure that are not fundable by income being received for specific projects, and which therefore require a targeted budget increase. These are as follows:
- the Combined Authority is taking on new responsibilities for Education, Employment and Skills, as set out in paragraphs 33 to 36 of this report, and the published strategy "Inspiring Our Future". The associated net core cost pressure is £220,000;
 - the Combined Authority is taking on a more pro-active regional promotion and communication role, in support of activities to attract inward investment and tourism, to encourage take-up of initiatives, to advocate on behalf of infrastructure proposals, and to engage the wider public and business community. The associated net core cost pressure is £100,000;
 - our revised Investment Plan proposes an expanded role for the Combined Authority in extending financial support for business: securing investment from existing Funds, and delivering additional finance for growing Tees Valley businesses. We propose to coordinate this from within the Combined Authority team, including by appointing a new Business Finance Adviser, with associated net core cost pressure of up to £130,000;
 - further development of the Combined Authority's policy development role has led to the addition of 3 new posts to provide policy support to council leaders, LEP private sector members and advice to the Tees Valley Mayor. The associated cost pressure for this is £120,000; and
 - additional pay and pension costs, in line with national local government pay proposals, create a net cost pressure of £80,000.
67. It is proposed that these additional core cost pressures are met from an increased contribution from within the Combined Authority's existing revenue resources. The overall position on core costs and their funding sources is set out in the table below.
68. The Combined Authority's annual payroll is likely to exceed the £3 million Apprenticeship Levy threshold, and as such the Combined Authority will contribute into the Apprenticeship Levy from 2018-19. The Combined Authority employs one apprentice, and a previous apprentice has successfully moved into a permanent role. We will look to increase our employment of apprentices in other areas, including the team responsible for supporting apprenticeships across the Tees Valley. The Combined Authority also proposes to meet the

recommendations of the Living Wage Foundation, for a minimum hourly pay of £8.75.

69. In the Chancellor's 2017 Budget, the government recognised the need to support further capacity in Mayoral Combined Authorities, by allocating £12 million equally between the six authorities for 2018-2020. The stated purpose of this funding is to boost the capacity and resources of the new Mayors, with further details expected imminently. In the light of this additional funding we will consider the overall resources available to directly support the Mayor's role, and supplement available capacity as required.

Medium Term Financial Plan (MTFP)

70. We are required to report on our MTFP, which incorporates all of our income and costs from the Investment Plan and Core Budget, covering the period from 2018-19 and the following three years. This requirement takes us beyond the end of the current Investment Plan period to 2020/21.
71. For the purpose of the MTFP we have assumed income will continue into 2021/21, as will core costs, but we have not formally allocated any of these revenues to any Investment Plan area as these allocations will be done as we move forward, based on priorities at that time.

General Reserve

72. We consider the need for unearmarked reserves within the context of the MTFP but on an annual basis, recognising that in some years there may be schemes or developments that present special forecasting risks or lead to a need to cover a time lag between spending and receipts, and could lead to the need for a higher level of reserves than usual to make for robust budget planning. Where such items exist we will consider them on an annual basis. There is no such matter to consider in this budget report.
73. The General Balance Reserve was established at £650,000 last year. Guidance for Local Authorities dictates that 3% of net revenue expenditure should be held in the General Balance Reserve to manage risk and any unforeseen circumstances, and it is prudent for us to work towards applying that principle. The nature of Combined Authority expenditure is slightly different from other Local Authorities in that it incurs revenue expenditure over the Investment Plan period, so expenditure in individual years can fluctuate significantly. In addition to this we manage revenue expenditure on behalf of Government for which we take no risk.
74. For those reasons, we consider that the appropriate way of identifying the net revenue of the Combined Authority for this purpose is to take the average of the risk-based revenue that we expect to receive over the period of the MTFP and hold 3% of this in the General Reserve. This requires us to set the General Reserve Balance at £962,000 which is an increase of £312,000 on last year. We anticipate that this will be funded from surpluses generated over budget in 2017/18 which will be held in the General Reserve.

MEDIUM TERM FINANCIAL PLAN							
	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	TOTAL' £000	21/22 £'000
Local Growth Fund	37,799	27,989	13,708	9,416	14,207	103,119	0
Devolution	15,000	15,000	15,000	15,000	15,000	75,000	15,000
Enterprise Zones	533	1,091	1,517	1,678	3,152	7,971	4,445
Local Transport Plan	13,935	13,952	13,952	13,952	13,952	69,743	0
Loan Repayments & investment Income	1,020	2,501	1,025	1,668	568	6,782	513
Local Partnership Grant	500	610	500	500	500	2,610	500
Growing Places Fund	4,364	0	0	0	0	4,364	0
Education, Employment & Skills Specific Grants	1,258	1,488	2,050	2,050	1,021	7,867	0
Transport Specific Grant Schemes	2,067	4,268	1,109	1,051	0	8,495	0
Other Specific Grants	1,365	1,071	1,067	0	0	3,503	0
European Structural Investment Funds	339	1,836	7,921	2,874	0	12,970	0
ERDF Legacy	0	0	3,667	3,667	3,666	11,000	0
SSI Task Force	42,509	0	0	0	0	42,509	0
Concessionary Fares Income	16,505	16,599	16,599	16,599	16,599	82,901	16,599
Local Authority Contributions	2,472	250	250	250	250	3,472	250
Other Income	0	130	617	579	570	1,896	571
TOTAL INCOME	139,666	86,785	78,982	69,284	69,485	444,202	37,878
Business Growth	4,734	7,933	17,088	4,624	1,750	36,129	0
Research, Development, Innovation & Energy	949	4,012	18,183	6,000	0	29,144	0
Education, Employment & Skills	4,554	7,319	10,062	2,600	1,031	25,566	0
Culture & Tourism	0	800	2,117	450	0	3,367	0
Transport	21,237	21,799	20,144	17,176	13,952	94,308	0
Infrastructure	58	7,164	13,705	0	0	20,927	0
Development Pot & Evaluation	558	3,029	2,738	462	0	6,787	0
Core Costs	2,972	3,650	4,813	4,894	4,987	21,316	5,076
Concessionary Fares	16,505	16,599	16,599	16,599	16,599	82,901	16,599
SSI Task Force (not in investment plan themes)	10,306	6,740	4,100	0	0	21,146	0
Mayoral Election Costs	0	1,156	0	0	600	1,756	0
TOTAL EXPENDITURE	61,873	80,201	109,549	52,805	38,919	343,347	21,675
AVAILABLE FOR NEW INVESTMENTS	77,793	6,584	(30,567)	16,479	30,566	100,855	16,203

MEDIUM TERM FINANCIAL PLAN

Concessionary Fares

75. The Combined Authority has delegated Transport powers for Concessionary Fares and these costs have to be attributable across the constituent Councils by way of agreed contributions. The 2018/19 position following negotiations with bus providers is expected to be finalised in March. For the purposes of this report it is assumed that these will remain at 2017/18 levels over this period and any variations to this will be reported to Cabinet.

Committed Resources

76. The table in paragraph 72 sets out the Combined Authority Resource Position incorporating all funding and approved schemes. The unallocated line of the table sets out the funds available to the Combined Authority to commit to projects and programmes. More detail of the specific schemes approved and Development Fund allocations are provided in Annexes A and B respectively.

Council Tax Precept

77. Legislation requires Combined Authority Mayors to set a precept on the Council Tax, to support functions which cannot be funded through other sources of income.
78. The Tees Valley Combined Authority is able to meet the costs of its functions entirely from resources it has secured as a result of the Devolution Deal and other income sources. The Tees Valley Mayor therefore proposes to set a zero precept for 2018/19, and has no plans to set a Council Tax precept in future years.

ANNEX A

Approved Commitments	INVESTMENT PLAN PERIOD					TOTAL	2021/22
	2016/17	2017/18	2018/19	2019/20	2020/21		
	£'000	£'000	£'000	£'000	£'000		
Business Growth Grants	2,999	5,172	1,700	0	0	9,871	
SSI Devolved Pot	0	525	5,967	0	0	6,492	
BEIS Growth Hub	246	246	0	0	0	492	
Sector Action Plans	43	37	0	0	0	80	
Materials Processing Institute Open Access Technology Centre	1,107	117	0	0	0	1,224	
Finance for Business	0	0	1,500	1,750	1,750	5,000	
ERDF Business Compass	339	1,836	7,921	2,874	0	12,970	
Business Growth	4,734	7,933	17,088	4,624	1,750	36,129	
South Tees District Heating	127	224	0	0	0	351	
City Deal CCS Project	279	173	0	0	0	452	
Low Carbon Action Plan	115	162	0	0	0	277	
Nuclear Study	0	30	0	0	0	30	
Digital City	178	178	178	0	0	534	
National Horizons Centre	0	3,245	14,255	0	0	17,500	
Healthcare Futures Centre (Personalised Medicines)	250	0	3,750	6,000	0	10,000	
Research, Development, Innovation & Energy	949	4,012	18,183	6,000	0	29,144	
AGE Grant	985	1,152	0	0	0	2,137	
Careers & Enterprise	101	109	100	100	31	441	
Routes To Work	0	650	3,350	2,500	1,000	7,500	
Employment & Education & Skills Strategy	0	40	0	0	0	40	
Cleveland College of Art & Design Hartlepool	3,468	834	0	0	0	4,302	
NETA Skills Centre	0	824	0	0	0	824	
Skills enhancement – Telecare and electric vehicles	0	130	0	0	0	130	
Hartlepool Innovation Skills Quarter Phase 2	0	3,140	1,992	0	0	5,132	
Kirkleatham Catering Academy and Walled Garden	0	400	2,300	0	0	2,700	
Apprentice Grant	0	40	1,260	0	0	1,300	
YEI Extension	0	0	1,060	0	0	1,060	
Education, Employment & Skills	4,554	7,319	10,062	2,600	1,031	25,566	
Great Places	0	500	1,067	0	0	1,567	
Destination Marketing Programmes	0	100	525	425	0	1,050	
Festivals and Events	0	200	200	0	0	400	
Heritage and Attraction Asset Capital Development	0	0	250	0	0	250	
Building Cultural Capacity	0		75	25	0	100	
Culture	0	800	2,117	450	0	3,367	
Local Transport Plan	13,935	13,952	13,952	13,952	13,952	69,743	
Pothole Action Fund	0	707	0	0	0	707	
National Productivity grant	0	2,298	0	0	0	2,298	
Local Sustainable Transport	990	0	0	0	0	990	
DfT Access Fund	0	1,163	1,109	1,051	0	3,323	
Transport Studies	99	328	0	0	0	427	
DfT Local Majors Studies	650	100	0	0	0	750	
Transport – Scheme Development Fund	100	370	0	0	0	470	
Transport – Bus Network	30	0	0	0	0	30	
Elwick By-pass	600	0	0	0	0	600	
Middlesbrough Rail Station	100	0	0	0	0	100	
Eaglescliffe Station	0	100	0	0	0	100	
Bank Top Station Fesibility Study	0	12	0	0	0	12	
Sustainable Access To Employment	1,193	2,769	2,165	2,173	0	8,300	
Middlehaven Dock Bridge (Local Majors)	3,540	0	393	0	0	3,933	
A689 Wynyard Improvement	0	0	2,525	0	0	2,525	
Transport	21,237	21,799	20,144	17,176	13,952	94,308	

Redcar Growth Zone	0	0	5,000	0	0	5,000	
One Public Estate	58	386	0	0	0	444	
Central Park Infrastructure	0	183	0	0	0	183	
South Bank Wharf	0	1,000	0	0	0	1,000	
Kirkleatham Business Park Industrial Units	0	0	500	0	0	500	
Salters Lane Phase 1	0	2,200	1,700	0	0	3,900	
Billingham Bio-Pharmaceutical Campus	0	0	1,000	0	0	1,000	
Broadband	0	475	475	0	0	950	
Teesside Advanced Manufacturing Park - Phase 2 Development	0	2,620	5,030	0	0	7,650	
Access road OSB & Wilton	0	300	0	0	0	300	
Infrastructure	58	7,164	13,705	0	0	20,927	
Development & Evaluation	558	3,029	2,738	462	0	6,787	
INVESTMENT PLAN	32,090	52,056	84,037	31,312	16,733	216,228	
SSI Task Force Projects	10,306	6,740	4,100	0	0	21,146	
Core Running Costs	2,972	3,650	4,813	4,894	4,987	21,316	5,076
Mayoral Election	0	1,156	0	0	600	1,756	
Concessionary fares	16,505	16,599	16,599	16,599	16,599	82,901	16,599
TOTAL EXPENDITURE	61,873	80,201	109,549	52,805	38,919	343,347	21,675

Allocations from the Development Fund

Since the Combined Authority was created, the following projects have been allocated support from the Development Fund:

DEVELOPMENT FUNDED PROJECT	AMOUNT
CPI LGF	250,000
South Tees Development Corp Loan	400,000
Highways Challenge Fund	200,000
Buses Act	80,000
Waste Strategy	400,000
Government Relocation Study	19,000
Ministry of Building Innovation	350,000
Development of Light Industrial Units at Kirkleatham Business Park EZ	30,000
Redcar Railway Station Business Quarter	50,000
Skippers Lane Industrial Estate Expansion	100,000
Feethams Grade A Office Development	100,000
Energy Life-Cycle Centre Potential Institute of Technology	300,000
Hartlepool Innovation & Skills Quarter Phase 2	505,000
Hartlepool Waterfront	680,000
Kirkleatham Estate Investment Project	415,000
River Tees Development Plan	130,000
Faverdale (Phase 1)	220,000
Darlington Station	300,000
South Tees Development Corporation Site Investigations	750,000
Durham Tees Valley Airport	500,000
Teesside Advanced Manufacturing Park	120,000
Eaglescliffe Station Western Access	657,938
Boho Next Generation	100,000
A66 Environmental Assessment Report	81,000
A66 & Tess Crossing Contingency	50,000
COMMITTED FUNDS	6,787,938

There are a number of other proposals for development funding currently under consideration with partners: for Middlesbrough station and the Teesside Media and Innovation Village; and for further local contributions to develop the Tees Crossing and Darlington Link Road proposals.

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

This pay policy statement applies to the financial year 2018/19.

Introduction

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

Chief Officers and Senior Management Team

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

Job Title	Grade	Salary
Managing Director	Managing Director	£136,350
Business Director	Assistant Director 1	£88,375
Finance Director	Assistant Director 1	£88,375
Investment Director	Assistant Director 1	£88,375
Strategy Director	Assistant Director 1	£88,375
Head of Communication and Marketing	SM 1	£74,740
Head of Culture and Tourism	SM 1	£74,740
Head of Education, Employment and Skills	SM 1	£74,740
Head of Homes and Communities	SM 1	£74,740
Head of Transport	SM 1	£74,740

4. Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment.
5. Positions within the Combined Authority, including senior posts, are set in line with posts of similar levels of responsibility within Stockton-on-Tees Borough Council. The salaries for Chief Officers have been determined through independent analysis and benchmarking and reflect rates which are reasonably sufficient to recruit and

retain senior officers, taking into account market conditions. The grades attributable to Chief Officer posts are subject to job evaluation and based on clear salary differentials which reflect the level of responsibility attached to any particular role.

6. Chief Officers do not receive bonus payments or performance related pay nor do they receive any benefits in kind paid for by the employer. Where a Chief Officer meets the criteria for entitlement to expenses these are paid in accordance with the Combined Authority's policies, aligned with those of Stockton-on-Tees Borough Council. Increases in pay for Chief Officers will occur only as a result of:
 - pay awards agreed by way of national/local collective pay bargaining arrangements;
 - significant changes to a Chief Officer's role which result in a higher salary being appropriate as confirmed by the outcome of an appropriate job-evaluation process; or
 - recruitment and/or retention payments which, in all the given circumstances at the relevant time, are deemed necessary in the best interests of the Combined Authority and which are determined under the relevant policy relating to such payments.
7. It is expected that Chief Officers will perform to the highest level. Performance related pay therefore does not form part of current remuneration arrangements. This position will be reviewed if legislation and/or guidance relating to Chief Officer posts changes.
8. Under the Combined Authority's constitution, appointment to the Managing Director and Director roles are a matter for Cabinet. All other posts are appointed under delegation to the Managing Director.

Payments to Chief Officers upon termination of their employment

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

contract and leave it exposed to litigation would be exempt from the requirement of such a vote.

12. The Government is proposing to introduce a cap on Public Sector Exit Payments. The Combined Authority will amend its policy and payments made on termination to reflect any changes in legislation.

Employment of Individuals Already in Receipt of a Local Government Pension

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

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

14. The Combined Authority does not generally support the employment of ex-employees as Chief Officers under a contract for services. However there may be circumstances where the employment of an ex-employee under these terms is the most effective and efficient way of meeting the Combined Authority's needs. If this situation applies formal approval will be sought from the Managing Director in his role as head of the paid service, in consultation with Cabinet members. In addition the Government has introduced legislation to enable the recovery of exit payments for higher paid employees returning to the public sector.

Remuneration of Lowest Paid Employees

15. Stockton Borough Council introduced its Single Status Agreement on 1st April 2008, and this framework has been adopted by the Combined Authority. The lowest paid employees within the Combined Authority are appointed to jobs which have been evaluated using the NJC Job Evaluation Scheme and are remunerated accordingly.
16. The Combined Authority has proposed to adopt the recommendations of the Living Wage Foundation, in respect of directly employed staff. If adopted by Cabinet as part of the proposed Budget, the Combined Authority's pay and grading structure will be applied in such a way as to ensure that no employee receives a minimum hourly pay of less than £8.75.
17. From 1st April 2016, in line with the policies of Stockton-on-Tees Borough Council, the Combined Authority agreed to pay its apprentices the National Minimum Wage relating to age (starting at £4.00 per hour for 16 to 18 year olds, compared to the national apprentice rate of £3.40 per hour). Given the specific nature of these appointments, apprentices have not been included within the definition of lowest paid employees for the purposes of this policy statement.

Relationship between Chief Officer and Non-Chief Officer Remuneration

18. The 'pay multiple' for the Combined Authority is determined by comparing the pay of the highest paid employee (Managing Director) against the median average pay, using hourly rates as at 31st December 2017, for employees within the scope of this statement.
19. The Combined Authority's current Median Hourly rate is £17.95 and the pay multiple is 3.95.

General Principles Regarding the Remuneration of Staff

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

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

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

OVERVIEW & SCRUTINY BUDGET CONSULTATION REPORT

SUMMARY

The Combined Authority is required to set out its Budget on an annual basis, and to consult publicly before its submission to Cabinet. The draft Budget and Investment Plan documents were presented to Overview & Scrutiny Committee at their meeting on 30th November 2017 to allow consultation with the Committee to commence. Following this meeting the Overview & Scrutiny Committee set up a task and finish group, consisting of 4 members of the full committee, to allow them to focus on the budget in more detail and conduct a full analysis of the draft documents.

The task and finish Group met on 7th December where they presented a number of questions to the Managing Director and Finance Director with regard to the budget and Investment Plan. The session allowed the questions to be answered in detail and further information to be provided where necessary.

This report details the findings of the task and finish group and their consultation response to be provided to Cabinet at their meeting on 5th February 2018

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- Note the process undertaken by the task and finish group to scrutinise the budget.
- Note the conclusion of the Overview & Scrutiny Committee that the budget should be supported
- Note the issues raised by the Committee in discussion with officers, as set out in this report.

DETAIL

1. The Overview & Scrutiny Committee agreed to establish a small task and finish group to focus on the budget in detail, and to report back to the main Committee.
2. The task and finish group was chaired by Councillor Ian Haszeldine. The other members of the group were Councillor Denise Rooney, Councillor Heather Scott and Councillor Derrick Brown.
3. The task and finish group met on 7th December, after studying the draft documents in detail. At this meeting they were able to question the Managing Director and Finance Director around the proposed budget and the detail of this.

4. The task and finish group put forward a list of the questions for response by the Managing Director and Finance Director. To ensure transparency the full list of these questions and the responses provided was published alongside the report for the Committee meeting on 16th January 2018
5. Following the question and answer session the members of the task and finish group agreed that they were satisfied with the responses given and now felt they had a good understanding of the budget and the investment plan.
6. The Chair closed the session thanking everyone for their time and relaying that the group were satisfied with the responses and had no further areas that they felt needed to be examined in relation to the budget and investment plan at this time
7. A report from the task and finish group was drafted and taken to the meeting of the Overview & Scrutiny Committee on 16th January 2018. This meeting allowed the full committee to review the findings of the task and finish group and put forward any final questions they may have to the Managing Director and Finance Director.
8. At the full committee meeting and after reflection on the report some further detail around a couple of areas of the budget was requested. The Committee debated the following topics:
 - Durham Tees Valley Airport – The Committee understood that although there is £500,000 set aside for the airport project modest financial commitments have been made so far. They were advised that £46,000 has been spent to date and this has been on financial and legal advice, which was necessary to ensure that any future decision on how to proceed is a fully informed decision. The Committee discussed whether £500,000 was too much given the uncertainty of the project but agreed to support this figure providing they could be given further information on the work carried out to date and the findings of the research. It was agreed that a meeting would be scheduled in the near future to give the Committee further information on the airport project.
 - Staffing of the Combined Authority – It was explained to the Committee that the reason why staffing in some specific areas has significantly increased for the forthcoming financial year is due to additional resources coming into the Combined Authority through devolution, and an expansion on the work of the Combined Authority. It was accepted that the staffing increase is necessary as it is not to deliver existing responsibilities but is due to new responsibilities previously carried out by Central Government.
 - Delegated Decisions – The Committee debated the financial level of the agreed delegated decisions and whether this had been set too high. The criteria around these decisions and the process to be followed was explained. The Committee felt that the delegated decision limit was acceptable but that they should be given clearer visibility of these decisions and be informed of them in the same way as key decisions. It was agreed to include any delegated decisions as an item on future agendas of the Committee.

- Quarterly Financial Updates – the Committee requested that they be presented with quarterly updates of Combined Authority expenditure to allow them to track the use of the budget throughout the year and understand where funds were being utilised. It was agreed that this can be carried out and the budget updates will be added to the Forward Plan for the Committee.
9. The Committee were content with the information provided by officers and agreed to endorse the budget proposals, subject to some amendments to improve transparency on specific issues.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

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

CONSULTATION

13. Consultation was undertaken with the public and key stakeholders for a period from 24th November 2017 to 5 January 2018.

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AGENDA ITEM 7

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

5 FEBRUARY 2018

REPORT OF THE FINANCE DIRECTOR

TREASURY MANAGEMENT STRATEGY 2018/19

SUMMARY

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

RECOMMENDATIONS

Members note the Treasury Management Strategy as presented in the report and provide any comments and recommendations before approval at Cabinet.

DETAIL

Introduction

1. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in February and August last year and published its new 2017 editions in early 2018.
2. In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
3. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.
4. 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.

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

External Context

6. **Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remains relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
7. Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.
8. In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.
9. **Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.
10. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.
11. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.
12. **Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

13. Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

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

Local Context

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

Table 1: Balance sheet summary and forecast

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

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

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

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

Borrowing Strategy

19. The primary legislation which established Combined Authorities made provision for them to receive borrowing powers, akin to those already in place for other local authorities. In the 2016 Budget, the Chancellor of the Exchequer confirmed his intention to enact this provision using secondary legislation. A draft of the 'The Tees Valley Combined Authority (Borrowing) Regulations 2018' Statutory Instrument was laid before **and approved** by a resolution of each House of Parliament at the end of 2017.
20. The balance sheet forecast in table 1 shows that the Authority does not expected to borrow in 2018/19 but has approved a borrowing commitment of £6.5m in relation to the TAMP scheme. As noted on the Investment Update report presented to Cabinet on the 21st December borrowing is not required until 2021.
21. The authority currently has an active pipeline of 31 investment proposals amounting to £152m which are currently under review. If borrowing is required for any of these schemes further reports will be presented to Cabinet for consideration.
22. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £100 million.
23. **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans, change is a secondary objective.
24. **Strategy:** The Authority's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of any future debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
25. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
26. Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

27. In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
28. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds (except Teesside Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
29. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- operating and finance leases
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
30. The Authority when borrowing will investigate all available sources of finance, such as local authority loans and bank loans, to achieve the most favourable rates.

Investment Strategy

31. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 7 months, the Authority's investment balance has ranged between £78m and £131 million, and levels are expected to increase in the forthcoming year as spending plans are developed.
32. **Objectives:** Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the **security and liquidity** of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
33. **Negative interest rates:** If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

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

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

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£7,500,000 5 years	£15,000,000 20 years	£15,000,000 50 years	£7,500,000 20 years	£7,500,000 20 years
AA+	£7,500,000 5 years	£15,000,000 10 years	£15,000,000 25 years	£7,500,000 10 years	£7,500,000 10 years
AA	£7,500,000 4 years	£15,000,000 5 years	£15,000,000 15 years	£7,500,000 5 years	£7,500,000 10 years
AA-	£7,500,000 3 years	£15,000,000 4 years	£15,000,000 10 years	£7,500,000 4 years	£7,500,000 10 years
A+	£7,500,000 2 years	£15,000,000 3 years	£7,500,000 5 years	£7,500,000 3 years	£7,500,000 5 years
A	£7,500,000 13 months	£15,000,000 2 years	£7,500,000 5 years	£7,500,000 2 years	£7,500,000 5 years
A-	£7,500,000 6 months	£15,000,000 13 months	£7,500,000 5 years	£7,500,000 13 months	£7,500,000 5 years
None	n/a	n/a	£15,000,000 25 years	£5,000,000 5 years	£7,500,000 5 years
Pooled funds	£15m per fund				

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

37. **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the

regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

38. **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
39. **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
40. **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £5m per company as part of a diversified pool in order to spread the risk widely.
41. **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.
42. **Pooled funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
43. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
44. **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets

greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £15m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

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

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

47. **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

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

49. **Specified investments:** The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and

- invested with one of:
 - the UK Government,
 - a UK local authority, Combined Authority, Police and Crime Commissioner, Fire Authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

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

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

Table 3: Non-specified investment limits

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

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

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£15,000,000
UK Central Government	unlimited

Any group of organisations under the same ownership	£15,000,000
Any group of pooled funds under the same management	£37,500,000
Negotiable instruments held in a broker's nominee account	£37,500,000
Foreign countries	£15,000,000
Registered providers	£37,500,000
Unsecured investments with building societies	£15,000,000
Loans to unrated corporates	£15,000,000
Money Market Funds	£75,000,000

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

Non-Treasury Investments

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

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

Investments that are not part of Treasury Management Activity

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

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

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

Treasury Management Indicators

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

60. **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk:

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

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

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

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

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

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

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

Other Items

65. There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.
66. **Policy on the use of financial derivatives:** In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.
67. **Investment training:** The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
68. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, or other appropriate organisations.
69. **Investment advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
70. **Investment of money borrowed in advance of need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.
71. The total amount borrowed will not exceed the authorised borrowing limit of £100 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Financial Implications

72. The budget for investment income in 2018/19 is £200,000 based on an average investment portfolio of £90 million. As the Authority is not expected to enter into any borrowing arrangements in 2018/19 the budget for debt interest is £0 million. If actual levels of investments and borrowing differ from those forecast, performance against budget will be correspondingly different.

Prudential Indicators and Minimum Revenue Provision (MRP)

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

Other Options Considered

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

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Appendix B – Existing Investment Portfolio Position

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

Appendix C - Prudential Indicators 2018/19

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

76. None.

RISK ASSESSMENT

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

CONSULTATION

78. Not applicable.

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Director of Finance

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AGENDA ITEM 8

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

5 FEBRUARY 2018

**REPORT OF THE
INVESTMENT DIRECTOR**

PORTFOLIO: INVESTMENT

KIRKLEATHAM ESTATE

SUMMARY

The purpose of this Report is:-

- to inform Cabinet of the requirement for additional funding for the Walled Garden and associated infrastructure (the “Walled Garden and Infrastructure Project”) at the Kirkleatham Estate in Redcar;
- to seek approval for up to £3.66 million of additional Combined Authority grant funding for the Walled Garden and Infrastructure Project; and
- to set out for Cabinet the wider Kirkleatham Estate programme and potential funding requirements for the future.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:-

- i. subject to the satisfactory completion of due diligence under our Assurance Framework, approves the allocation of up to £3.66 million of additional Combined Authority grant funding in respect of the Project;
- ii. delegates the finalisation of the amended funding and associated contractual arrangements for the Walled Garden and Infrastructure Project to the Managing Director and the Finance Director; and
- iii. notes the wider Kirkleatham Estate programme and potential additional funding requirements for that programme in the future.

DETAIL

Kirkleatham Estate – Background Information

1. The 74 hectare Kirkleatham Estate is a major asset in Redcar & Cleveland and the wider Tees Valley region and is one of the most significant heritage sites in the North East of England. It contains 24 listed structures, some which are Grade 1 listed. A map of the estate is set out at Annexe A. The estate encompasses the following assets:-
 - Kirkleatham Museum;
 - Bellamy Pavilion, with 2.9 hectares of former nursery sites to the rear;
 - Walled Garden and Catering Academy (the subject of this Report);
 - The Stable Block;
 - 18 hectare showground and 9 hectares of woodland;
 - Kirkleatham School;
 - Church View (empty property), West Lodge and The Paddock (derelict properties);
 - Owl Centre; and
 - Donkey field.

The estate also contains a significant number of properties not under Council ownership:-

- Sir William Turner Hospital - now almshouses and the chapel, with agricultural land to the south;
 - St Cuthbert's Church, mausoleum and village; and
 - The Old Saw Mill (cattery).
2. The development of the Kirkleatham Estate will support the delivery of the Culture priority theme within the Tees Valley Strategic Economic Plan ("SEP") and is specifically referenced in the Tees Valley Investment Plan. The Estate is a key priority for RCBC, and the vision is that Kirkleatham can become a major regional visitor attraction and a showcase for local heritage, talent and residents and an inspirational place for culture, leisure, business and training, bringing significant opportunities for greater prosperity, employment and wellbeing across our communities.
 3. The programme to redevelop Kirkleatham Estate currently consists of seven projects, which have initially been estimated at a total value of £22-24 million. These are:-
 - Kirkleatham Walled Garden (the subject of this Report);
 - Infrastructure project (ditto);
 - Stable Block - restoration of the 1,100sqm Grade 2* listed stable block plus infrastructure and landscape to create a major cultural venue;
 - Landscape restoration - whole estate landscape restoration including water park, show field, signage and associated branding works;
 - Bellamy Pavilion - building requires reroofing, with options to be explored as to whether a more comprehensive refurbishment of the building and its neighbouring bungalow should be undertaken;
 - Church View - refurbishment of the former NHS facility to provide a mixed long-term and respite care home for children who require significant support; and
 - Enabling development – to develop a design brief and release a small number of plots over a number of years for suitable residential developments.

Kirkleatham Walled Garden Project and Associated Infrastructure

4. The Walled Garden and Catering Academy itself is a 3.5 acre (1.5 hectare) site comprising catering and horticultural academy, formal, activity and produce gardens, a pavilion, restaurant and shop. It is anticipated that the project will create over 100 apprenticeship and traineeship opportunities over 3 years specialising in horticulture, catering and hospitality, plus 33 new jobs and 67 construction jobs. The project is due to start on site by April 2018 with practical completion scheduled for 1st March 2019.
5. The original application for the current walled garden scheme came into the devolution LGF programme as a late replacement for another unconnected project which was not taken forward. At that point the scheme was not developed enough to cost in detail, and £2.7m of Combined Authority funding was allocated based on those “headline” costs. The Combined Authority committed £2.7 million of Local Growth Funding to the Walled Garden Project at its Cabinet meeting in August 2016 and the project continued through to due diligence. RCBC have continued to work on the project and there is now a higher but more robust cost assessment which also ensures that the build is of a sufficiently high quality to meet the long term aspirations for the site
6. In addition there is now an acceptance that, due to the acute pressures being caused by the volume of traffic going through Kirkleatham Village, the walled garden scheme cannot be delivered on its own without a new road access and associated car parking for the site, to provide a long term solution to these issues. The associated and extended infrastructure element comprises the construction of a new gateway for the entire estate, with road access from the A174 and a car parking area (270-300 spaces), plus a service area with taxi drop off/disabled parking and a substation to provide power capacity for the Kirkleatham Estate. This also includes relocating a right of way for landowners to land to the south of the walled garden. RCBC has purchased the land required to carry out these works. This infrastructure work is now scheduled to be completed by 31st January 2019, as these elements of work need to be completed before the walled gardens and restaurant open to the public.
7. The increased costs and the need for the infrastructure have obviously had a significant impact on the overall costs for the extended project, which are now at £8.18m. RCBC is meeting some of these additional costs on the previously approved project, but the balance of the additional funding is now urgently required to deliver the original project together with the new access/infrastructure, and to achieve the delivery timetable set out above. Additional funding is therefore being requested from the Combined Authority as part of its Culture and Tourism investment programme.

Funding

8. The total costs for the Walled Garden and Infrastructure Project are therefore now £8.18 million. It is proposed that these project costs will be funded as follows:-
 - TVCA funding already committed - £2.7 million;
 - Additional Combined Authority funding as set out in this report - £3.66 million;
 - RCBC - £0.14 million formally approved (this is in addition to £840,000+ spent by RCBC since 2011 on site infrastructure, land acquisition and infrastructure for events);
 - Heritage Lottery Funding - £0.58 million;
 - Coastal Communities funding - £1.1 million.

9. The additional funding being sought by RCBC from the Combined Authority pursuant to this Report is therefore £3.66 million:-
- £0.66 million for the cost increases in respect of the walled garden itself; and
 - £3 million in respect of the road and car park infrastructure (as set out at paragraph 6 above).

Wider Kirkleatham Estate Programme

10. Cabinet is asked to note the extent and detail of RCBC's planned Kirkleatham Estate programme, as set out at paragraph 3 above. The total value of the programme is in the region of £22-£24 million. No further Combined Authority funding is being requested or has been committed in principle at this point in respect of the balance of the programme, but Cabinet is asked to note that the remainder of the overall programme is only likely to be funded with at least some financial support from the Combined Authority.
11. RCBC will continue to work to secure additional resources wherever possible from Heritage Lottery Fund, Coastal Communities Fund, Arts Council and any other potential sources, to reduce the overall financial request(s) to the Combined Authority in the future. RCBC will also work with the Combined Authority to review any potential for prudential borrowing to fund some elements of the programme.
12. If additional funding could be found, RCBC is confident that the whole estate programme could be delivered by end of 2025 to factor into the City of Culture bid.
13. Any further requests for Combined Authority funding will be built into the forward pipeline for consideration once known, and will come to Cabinet for discussion and approval at the appropriate time.

Ambition and Potential Benefits

14. This proposal is aligned with the SEP and Tees Valley's Culture and Tourism strategy which aims to:-
- invest in significant cultural development in Tees Valley;
 - prioritise cultural and heritage attraction development where strong increases in the visitor economy can be achieved; and
 - invest where the historic significance of a site can be shown to have regional, national (and potentially international) appeal.
15. The early 18th Century buildings and landscape at Kirkleatham offer the opportunity to create a complex site offering arts and culture venues, tourism and retail opportunities and an English garden experience alongside the new catering school. In addition, the wider estate offers the opportunity to develop a water-feature based park and a number of visitor adventure experiences.
16. Currently Kirkleatham receives approximately over 100,000 visitors per annum (excluding specific events such as the Festival of Thrift and Halloween). The proposed developments at the site could attract an additional 50,000+ visitors to Tees Valley, with the correct balance and range of experience to be developed there; adding significant revenue funding to the overall operations budget and delivering additional direct and indirect jobs and a minimum of an additional £4 million visitor spend per annum to the wider visitor economy.

FINANCIAL IMPLICATIONS

17. The Combined Authority has previously approved £2.7 million towards the Walled Garden project at its Cabinet meeting of August 2016.
18. Since this approval RCBC has undertaken further development work on the project which has resulted in an increased funding requirement of £0.66 million from the Combined Authority.
19. RCBC has committed a further £135,000 and has purchased land in order to carry out the associated infrastructure works which are proposed to be funded by the Combined Authority. The works comprise an upgrade to the power supply, the construction of a new gateway and road access to the site and car parking area at a total of £3 million.
20. There are currently no financial implications arising from the remainder of the wider estate programme

LEGAL IMPLICATIONS

21. Any legal issues in respect of the additional funding for the Walled Garden Project will be dealt with in the funding agreement between the Combined Authority and RCBC, which will be amended to take account of this additional funding. The funding agreement will be tailored so as to minimise the risks identified in the risk section below as far as possible.

RISK ASSESSMENT

22. The key risks in relation to the Combined Authority's investment in the Walled Garden Project are as follows:-
 - (a) potential time and cost overruns leading to the development being delayed or jeopardised (including the potential loss of £1.7m match funding if the Project is not delivered as scheduled) - this will be managed through the Combined Authority's funding agreement with RCBC (including monitoring and reporting arrangements) and through RCBC properly incentivising the timely completion of the construction works through its contractual arrangements with its contractors;
 - (b) the walled garden and infrastructure elements of the Kirkleatham Estate programme proceed, but the remainder of the wider estate programme are not then delivered – the walled garden and infrastructure are deliverable on a standalone basis and can deliver substantial benefits themselves in terms of culture and tourism; and
 - (c) RCBC sells or otherwise disposes of its interests in these assets at a future date – this is considered very unlikely but will be addressed in the funding agreement with RCBC.
23. Conversely, the risk of not delivering this project is the missed opportunity to deliver the revitalisation of this key element of the estate programme as a significant leisure and tourism attraction in the region and the wider North East, with all the additional benefits that would bring to the region, in line with our current City of Culture ambitions and timetable.

CONSULTATION

24. RCBC will be undertaking consultation on the development of the site through its normal consultation and planning processes.

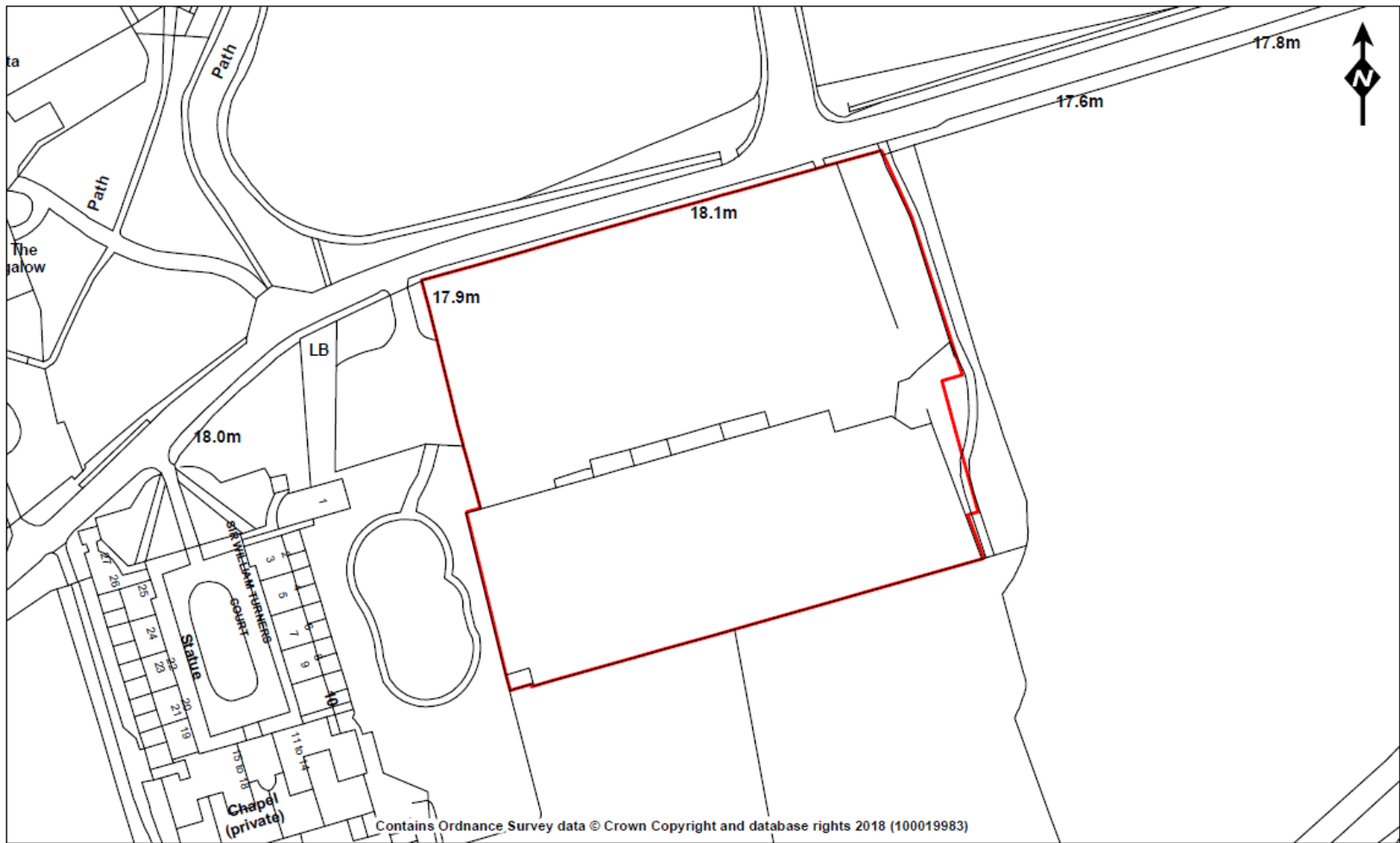
Name of Contact Officer: Alison Fellows

Post Title: Investment Director

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ANNEXE A – Site Plan



KIRKLEATHAM WALLED GARDEN SITE PLAN

Date: 15/01/2018
Drawn by: BS
Scale = 1:1,250
DWG No: N/A

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AGENDA ITEM 9

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

5 FEBRUARY 2018

**REPORT OF THE
INVESTMENT DIRECTOR**

PORTFOLIO: INVESTMENT

FEETHAMS, DARLINGTON

SUMMARY

The purpose of this Report is:-

- to inform Cabinet of Darlington Borough Council's proposal to bring forward the development of new Grade A office accommodation at Feethams in Darlington Town Centre; and
- to seek approval for up to £3.23 million investment into the Feethams office project, to enable the project to be brought forward for development.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:-

- i. notes Darlington Borough Council's ("DBC") proposal to bring forward the speculative development of approximately 3,900 sq.m. with a gross internal floor area of 3,624 sq. m of new Grade A office accommodation at Feethams (the "Project");
- ii. subject to:-
 - the formal approval of DBC's funding for the Project (scheduled for its Cabinet meeting on 6th March 2018 and then full Council meeting on 22nd March 2018);
 - to the ERDF application submitted by DBC being successful (see paragraphs 5 and 15 below);
 - the Finance Director being satisfied that the case for prudential borrowing is made;
 - submission and assessment of an updated business case; and
 - the satisfactory completion of due diligence under our Assurance Framework,

- approves the allocation of up to £3.23 million of Combined Authority investment funding in respect of the development of this office accommodation;
- iii. approves the use of the Combined Authority's prudential borrowing powers, once they are in place, to fund the Project, with the repayments to be financed from rental income to be received as a result of the investment; and
 - iv. delegates the finalisation of the funding and associated contractual arrangements for the Project to the Combined Authority's Managing Director and Finance Director.
 - v. establishes a regular assessment of the office market across the Tees Valley, to enhance the evidence-base for future development of office space by the Combined Authority and its partners.

DETAIL

Project Description

1. The Project will deliver Grade A office accommodation in Darlington Town Centre, benefitting growing small and medium sized enterprises (SMEs) and other businesses in key Tees Valley sectors, including business and professional services, digital and creative. The site itself is already in the ownership of DBC and is cleared and ready for development - an indicative map of the site is at Annexe 1.
2. The Project will support the Business Growth and Places themes within the Tees Valley Strategic Economic Plan ("SEP"). The development is a priority for DBC as Darlington is an attractive location for businesses but has a distinct shortage of town centre Grade A property. Locating office jobs on this site and will enhance footfall and vibrancy in the town centre, along with increased spend during the day, in the early evening and in the night time economy.
3. It is proposed that the office building would be five storeys high with a total gross internal floor area of 3,624 sq. m. The offices would be flexible and open plan but capable of being sub-divided and occupied by two different tenants per floor. The offices could accommodate a total of approximately 350 office desks and up to 500 staff, depending on space ratios and desk sharing arrangements. There is scope for additional accommodation on the site that could be added at a later date.
4. It is important that a clear signal is sent to prospective tenants (both private and public sector) that this proposal has a realistic chance of proceeding and being completed in 2019. To mitigate against the risk that the office accommodation is built on a speculative basis but is not then fully occupied, DBC will continue to work to secure a number of pre-lets. DBC has already appointed agents to market the offices and help identify occupiers. Although there is interest from potential office tenants, DBC's agents have advised it is very difficult to secure formal pre-lets with SMEs in particular in these early stages and certainly before building work has commenced. However, DBC propose to target national and local tenants through a robust marketing strategy and liaise with potential occupiers over intended lease terms. If the building is not fully occupied in the early period, DBC may also consider locating some of its own activities in the new building as a fall-back position.

5. The current estimate of total project cost is £8.5 million. These project costs will be funded as follows:-
 - TVCA: £3.23 million;
 - DBC: £3.23 million;
 - ERDF: £2.04 million.
6. DBC and TVCA have also presented the Project to the Teesside Pension Fund (“TPF”), who are interested in investing if the Project can meet its investment requirements. These discussions with TPF are ongoing, but it is anticipated that without a significant level of pre-lets or a public sector supported head lease, TPF is unlikely to be able to support the Project. Discussions will continue as the scheme develops but, assuming the Project goes forward as a speculative build, it is not anticipated that TPF funding solution will be a significant part of the funding mix.
7. The contractual arrangements will be as follows:-
 - (a) The Combined Authority will enter into a funding agreement with DBC for the payment of the £3.23 million funding;
 - (b) DBC will enter into an agreement with the contractor (when procured) for the design and construction of the accommodation;
 - (c) The risk is shared but DBC will manage the building;
 - (d) DBC will set up its own arrangements for the marketing and management of the offices; and
 - (e) DBC and TVCA will enter into an agreement that reflects the risk including any risks associated with the ERDF funding.
8. DBC will consider the project at its Cabinet meeting scheduled for 6th March and then its full Council meeting on 22nd March.

Ambition and Potential Benefits

9. This proposal is aligned with Tees Valley’s growth needs and will contribute towards the strategic ambitions set out in the Business Growth and Place themes within the SEP, which contains a target of net 7,000 new jobs in professional/office services, to which this Project can contribute.
10. The aim is to create new accommodation to support and encourage employment opportunities and boost economic growth through the provision of new high quality accommodation.
11. From DBC’s perspective, this Project will aid the delivery of the Feethams Planning and Development Brief and effectively complete DBC’s Feethams Plan.
12. Potential benefits arising from this development will also include:-
 - (a) the retention of local SME businesses that might otherwise leave Tees Valley to seek better growth opportunities elsewhere;

- (b) increased economic outputs;
- (c) a catalytic effect on the speculative office development market, increasing the potential for further market investment in the wider area; and
- (d) increased footfall from the offices would help support retailers in the town centre and particularly the coffee shops and restaurants opposite the site in the new Feethams cinema/leisure development.

Evidence of Need and Demand

13. The demand for the project has been examined by independent consultants Cushman & Wakefield. The work identified that there is currently a shortage of Grade A accommodation within the region as well as a shortage in accommodation above 10,000 sq. ft. The research identified that the majority of accommodation in Darlington Town Centre is dated and that there would be nowhere to satisfy any demand for Grade A office accommodation in the Town Centre at the current time. The view was that it is unlikely that the scale of Grade A office accommodation proposed for Darlington Town Centre will negatively impact on other Tees Valley locations, with occupiers likely to be new to the area, or expanding businesses already situated within or close to Darlington looking to satisfy their growth or to occupy better quality accommodation. The accommodation will be marketed at a market rent with the intention of maximising income, and there is no intention to undercut rental levels elsewhere in the Tees Valley.
14. The proposed scheme will also be marketed nationwide, to attract businesses by providing high quality accommodation. The quality of the scheme, coupled with its location on the Tees Valley rail and road network, is therefore key to attracting occupiers.
15. While this assessment provides assurance there will be limited displacement from this project, it raises a wider need for the Combined Authority to enhance our market intelligence about the office market across the Tees Valley. In anticipation of future projects, by the Combined Authority or its partners, we propose to initiate a regular process of market assessment, commissioning a local firm to report regularly on the state of office market across the Tees Valley.

Funding

16. We would expect to borrow to fund the Project, as it is a commercial investment, and repayment of our loan would come from the net rentals received. As the Project is a speculative build, it is impossible to have certainty over the likely returns that the Project will deliver, and as such, there is a level of risk that there will be insufficient income to fully repay borrowing with interest.
17. The latest financial projections are considered to be prudent. DBC is currently undergoing a further stage of value engineering to ensure that costs are minimised to the extent possible and to work to establish a prudential borrowing case. This work will continue through the due diligence phase.

18. We recommend that Cabinet approves proposition on the basis of borrowing, subject to the Combined Authority's Finance Director being satisfied that the case for prudential borrowing is made based on agreed base case assumptions.

FINANCIAL IMPLICATIONS

19. To commit £3.23 million to the Feethams project to be funded via prudential borrowing, subject to the case for prudential borrowing being satisfied.

LEGAL IMPLICATIONS

20. 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 DBC 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

21. The key risks in relation to the Combined Authority's investment in the Project are as follows:-
 - (a) potential time and cost overruns leading to the development being delayed - this will be managed through the Combined Authority's funding agreement with DBC (including monitoring and reporting arrangements) and through DBC incentivising the timely completion of the construction works through its contractual arrangements with its contractor;
 - (b) that the accommodation is built but cannot then be let fully - DBC has undertaken early marketing activity to try and secure lettings and minimise the risk of the building not being fully occupied once constructed. In terms of its own investment, as owner of the building DBC will carry the direct risk of not being able to let the premises and will recover its own investment through rental and business rate income; and
 - (c) DBC sells the accommodation at a future date – this will be addressed in the funding agreement with DBC.
22. Conversely, the risk of not delivering the accommodation is a lack of quality office accommodation in Darlington to accommodate growing SME companies who want to locate in the town.

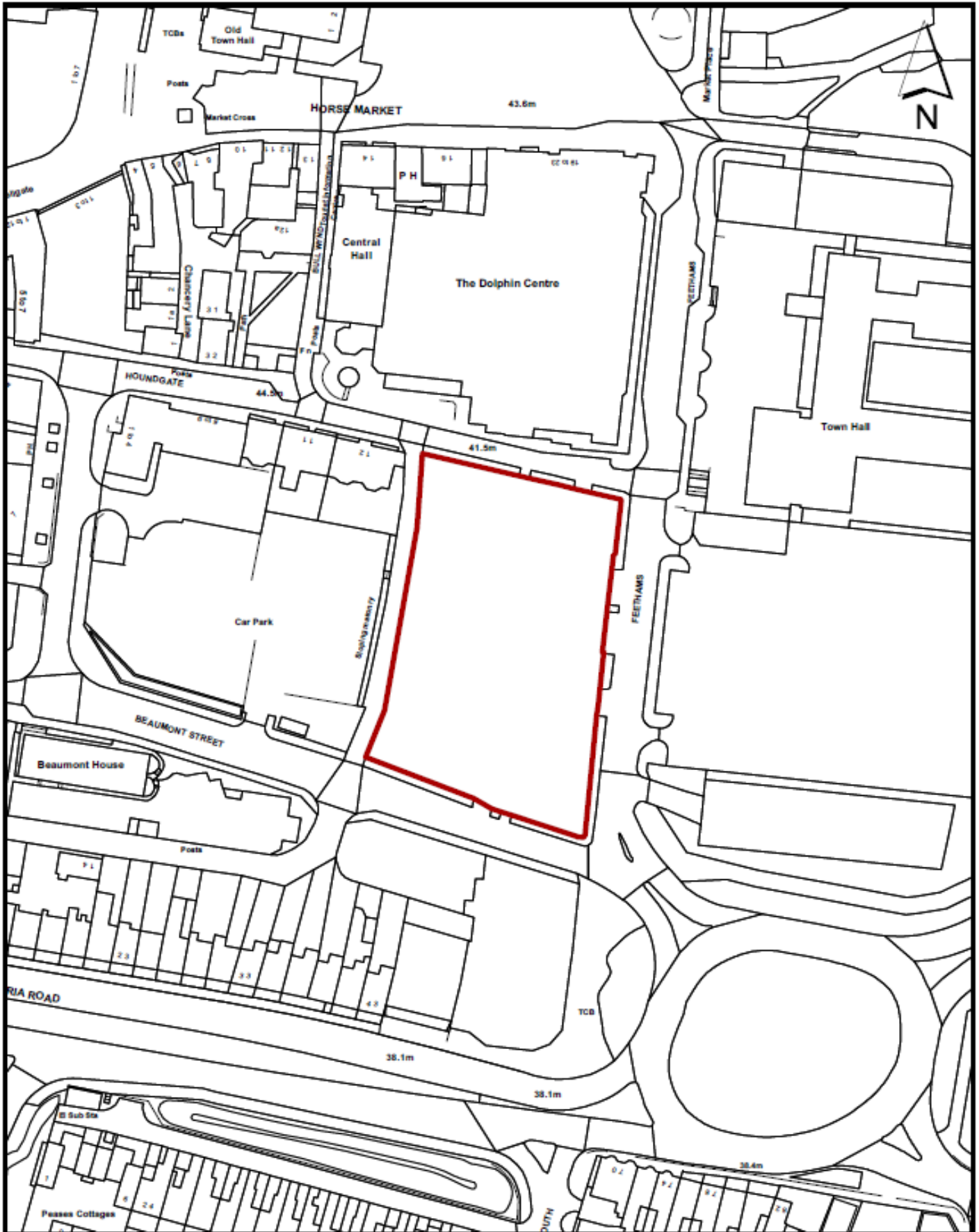
CONSULTATION

23. DBC will be undertaking consultation on the development of the site through its normal consultation and planning processes.

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Email Address: alison.fellows@teesvalley-ca.gov.uk

ANNEXE A – Site Plan





DARLINGTON BOROUGH COUNCIL ECONOMIC GROWTH GROUP CORPORATE LANDLORD TEAM ESTATES & PROPERTY, TOWN HALL FEETHAMS, DARLINGTON Co. DURHAM, DL1 5GT	Project Title:	DBC OWNED LAND	Scale:	1 : 1250	Sheet:	AT A4
	Drawing Title:	FEETHAMS PLOT 1	Date:	13/04/16	Area:	1.14 Acres
			Drawn:	RMH		
	<small>This map is reproduced from the Ordnance Survey material with the permission of Ordnance Survey on behalf of the Controller of Her Majesty's Stationary Office. © Crown copyright. Unauthorised reproduction infringes Crown copyright and may lead to prosecution or civil proceedings. © Crown copyright and database rights 2016 Ordnance Survey 5100023728. You are not permitted to copy, sub-license, distribute or sell any of this data to third parties in any form. Licence Number 100023728 2016</small>					

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AGENDA ITEM 10

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

5 FEBRUARY 2018

REPORT OF THE MANAGING DIRECTOR

ENHANCING OUR LOCAL ECONOMIC IMPACT

SUMMARY

This paper identifies a commitment by the Combined Authority and South Tees Development Corporation to maximise the local economic impact of their work; directly, and through appropriate influence over private sector investors. It highlights work that has taken place to date to support sustainable employment and develop regional supply chains, and sets out our ambitions to build on this in 2018.

It is proposed that a new working group is established, on a “Task and Finish” basis, to review our approach to promoting local economic impact, and bring forward further measures for discussion with the Cabinet, and the South Tees Development Corporation Board, including proposals for subsequent monitoring of impact.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Agrees the commitment set out at paragraphs 1-3;
- ii. Notes the measures currently in place, or in development, to enhance local economic impact, and comment on good practice from partner organisations;
- iii. Agrees to establish a Working Group, and a terms of reference for the Group (paragraph 16)
- iv. Receives a report from the Working Group at a Cabinet meeting in Summer 2018, and that the report is also submitted to the South Tees Development Corporation Board for discussion.

A COMMITMENT TO LOCAL IMPACT

1. The Tees Valley Combined Authority and South Tees Development Corporation are working with stakeholders across the Tees Valley and beyond, to deliver a step change in the Tees Valley economy. Together with our partners in the public and

private sector we have significant economic influence. This includes our economic leadership role; our roles to develop skills and support access to employment; our investment in infrastructure and local business; as well as our direct spend and purchasing power.

2. We already make a significant impact on the local economy, and we want to ensure that we build on this in future.
3. We will deliver our responsibilities, use our investment and influencing power to maximise economic, social and environmental benefits for residents and businesses in Tees Valley. Wherever possible, we will ensure investment generates good quality jobs which are accessible to local people, and supply chain opportunities are available to local businesses. A focus on local impact will be embedded into everything we do. We will ensure that our activity grows local markets, increases opportunities for local employment and supports the growth of regional supply chains. Wherever possible, our activity will:
 - Support local people to access good quality jobs, by supporting them to develop the necessary skills, and use our influence to promote local recruitment;
 - Use our direct spending and investment power to provide procurement opportunities accessible to local employers, while ensuring good value for money in public funding.
 - Work with private sector investors to maximise the local economic impact of new investment, by supporting local businesses to secure supply chain opportunities.

CURRENT ACTIVITY - MAKING A LOCAL IMPACT

4. Our formal commitment builds on existing activity, which is already securing social and economic value for the region. This includes:
 - Using our devolution deal, and success in winning national bids, to bring additional resources into the Tees Valley, in support of local people and businesses.
 - Supporting business start-ups and indigenous growth, as well as new inward investment. Business Compass has secured £12.9m ERDF funding, which is helping businesses access external business support to unlock growth in their companies, increase their broadband speeds, receive specialist innovation support and assist with capital investment in energy efficient measures
 - Supporting businesses operating in Tees Valley – helping them to develop networks and supply chains, and enabling them prepare for upcoming opportunities. We helped create Tees Engineering Network, which promotes supply chain opportunities to local engineering SMEs through peer to peer networking events. This has brought visibility to the local supply chain, and enabled local businesses to make connections with major private sector projects. Typically, the quarterly network events are attended by over 100 local SMEs

- Supporting regional businesses to access major international supply-chain opportunities through the Contract Catalyst initiative. This has supported contracts to the value of £156m and leveraged £98m in investment from the private sector
 - Working with businesses and learning providers to address existing and future skills gaps. Our Enterprise Employer Network supports businesses to work directly with senior management teams in over three quarters of our secondary schools and colleges
 - Raising aspirations through our work with schools – helping to ensure that our young people are central to the region’s future success. Over 12,000 young people have attended our skills events, informing them of employment and learning opportunities in the region; and 77% of Tees Valley learning establishments are involved in our Enterprise Adviser Network, enhancing employer-school interaction
 - Supporting apprenticeships, including through the £1.3m Apprenticeship Support for Employers scheme. This was created following the success of the Apprenticeship Grant for Employers, which was devolved to the Combined Authority in 2016 and approved applications to support more than 1000 apprentices
 - Providing targeted employment support, for example working with former employees at the SSI site, to ensure their skills are utilised in site preparation and re-development of the area
 - Protecting and improving our environment. We have agreed a Sustainability Policy, and are putting forward proposals to government to pioneer new approaches for carbon capture and storage
 - Spending our money locally where we can – using procurement rules that mean firms are drawn from the local areas for tenders where possible. We also use regional procurement frameworks where appropriate and are in the process of establishing our own frameworks to meet our future needs
 - Funding regionally significant projects, delivered by partners such as Teesside University, who have a track record of delivering local benefit
- Working in collaboration with Teesside University to embed academic expertise within the Development Corporation executive team and on emerging commercial proposals

ENHANCING OUR IMPACT

5. We are committed to building on good practice and enhancing the impact we make locally. In 2018, we will further demonstrate our commitment to deliver local value.
6. We will embed criteria that can secure local value into procurement decisions alongside the traditional cost and quality weightings. We will develop a menu of local impact standards to be applied as appropriate (bearing in mind the subject matter of the procurement in question and what the market can bear without additional cost). These will include:
 - local labour sourcing;
 - local supply chain initiatives;

- reducing c02 emissions (including miles travelled for procured goods and services, choice of materials to reduce emissions)
 - waste management / recycling;
 - use of renewable energy sources, e.g. reduction in energy and water consumption;
 - apprenticeships created;
 - workforce development;
 - schools outreach;
 - delivering the Tees Valley Careers Strategy including attendance at local job fairs;
 - work experience opportunities;
 - supplier led standards (based on the local impact they have achieved on previous projects); and
 - investment in Tees Valley education, employment and skills activity.
7. Ability to meet the selected local impact standards will be evaluated as part of the procurement process and will make up a minimum of 10% of the decisions
 8. We will embed local value into our funding decisions to ensure that the projects we fund benefit the area to the fullest extent possible. We will engage with funding applicants to ensure that they have fully considered local impact in their approach to project delivery and that they have adopted local impact standards similar to those set out above, to the extent that it is relevant to their receipt of funding.
 9. For major investments by the TVCA and STDC, 'Local Implementation Pledge' will be requested as a pre-requisite to funding agreements where appropriate. This will identify how the organisation seeking funding will deliver additional economic, environmental and social benefits as a result of the funding received. We will work with organisations to develop and implement this Plan.
 10. Delivery against the Local Implementation Plan will be monitored during the term of the Funding Agreement and on completion of the project. The funded organisation will agree to provide a 'Demonstration of Local Impact' Report to confirm the extent of local impact achieved through the project. This information will help inform the content of future Plans

A NEW PARTNERSHIP APPROACH

11. The activity captured above relates to the Combined Authority and the Development Corporation only. It does not include the good practice established in Tees Valley Local Authorities, or other organisations across the region. By taking a collective approach across the region, we can demonstrate an even greater impact.
12. It is recommended that a new Working Group is established, on a "task and finish" basis involving: the Combined Authority; South Tees Development Corporation; Tees Valley Local Authorities; private sector partners including SME representatives. The Group will share best practice and demonstrate leadership for a 'Tees Valley' approach that can maximise regional spend and influence. Remit of the Group will include:

- Carrying out a stocktake of activity, to understand existing approaches and to share regional best practice
- Learning from national and international best practice
- Mapping annual spend of the Combined Authority, Development Corporation and Tees Valley Local Authorities - to understand how much is spent with suppliers in the region
- Demonstrating an ethos of local impact as individual organisations and within their supply chains
- Exploring the extent to which suppliers, contractors and their supply chains re-spend within the local economy
- Exploring shared measures and approaches, including:
 - Encouraging and supporting partners to establish a common procurement standard making it easier for local providers to understand and respond to the process across the Tees Valley;
 - Agreeing a joint set of principles to enhance local impact through the way we procure goods, works and services including embedding local value as an award criterion;
 - Agreeing a target for goods, works and services procured from local companies by 2026;
 - Exploring issues, such as SMEs' ability to access sufficient insurance to compete for major contracts, and working with them to overcome barriers;
 - Working with partners to capture their commitment through a 'Local Impact Pledge', which can be used to demonstrate our cumulative impact;
 - Developing a legal framework that can be inserted into leasehold or freehold disposals where the Combined Authority or the Development Corporation is the landowner to require private investors to follow best practice in their own local sourcing; and
 - Developing a monitoring process to ensure that these objectives are measured and met.

13. The Working Group will report to Cabinet in Summer 2018.

FINANCIAL IMPLICATIONS

14. Whilst there are no immediate financial implications, the extent of any proposed contractual obligations to be inserted into land leases or sales has the potential to create an impact on values. The proposed policy will be developed and evaluated with the objective of making this cost-neutral unless reported otherwise.

LEGAL IMPLICATIONS

15. Legal advice has been sought in relation to the proposal to embed criteria that can secure local value into procurement decisions alongside the traditional cost and quality weightings to ensure that this approach is (in principle) compliant with the requirements of procurement legislation. Award criteria shall be reviewed on a case-by-case basis going forward to ensure that the criteria set are appropriate and compliant. The Combined Authority and South Tees Development Corporation will continue to abide by procurement regulations, and our approach to local economic

impact will be developed within the constraints set by the national and European legal framework.

RISK ASSESSMENT

16. This paper does not commit the Combined Authority or development Corporation to any changes in policy or regulation, therefore there are no direct legal or financial risks. An appropriate risk assessment will take place for any new approaches developed as a result of future work.
17. Given the economic influence of the Combined Authority and Development Corporation, there is a risk that the local economy does not realise its full potential if the organisations do not demonstrate their commitment to local impact.

CONSULTATION

18. Combined Authority and Development Corporation staff have been involved in developing this paper. It has also been discussed with Local Authority Leaders.

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AGENDA ITEM 11

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

5 FEBRUARY 2018

**REPORT OF THE
HEAD OF TRANSPORT**

TRANSPORT

TRANSPORT FOR THE NORTH STRATEGIC TRANSPORT PLAN

SUMMARY

On the 16th of January Transport for the North (TfN) published a draft Strategic Transport Plan for consultation. The national launch of the document was held in Darlington and generated significant media interest. Using information from the Northern Powerhouse Independent Economic Review, the plan has identified seven priority development corridors, as well as some pan-Northern priorities, where TfN believe strategic transport investment should be targeted. As a result of active engagement by the Tees Valley in TfN, at political and officer level, the report fully reflects and endorses the Tees Valley's own priorities for greater connectivity.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the content of the report
- ii. Delegate authority to the Managing Director, in consultation with the Tees Valley Mayor, the Chair of the LEP and the Chair of the Transport Committee, to submit a response to TfN's transport plan consultation on behalf of the Tees Valley, in line with our established priorities.
- iii. Note that TfN will hold its AGM on 8th February, to approve its constitution, including the establishment of a new TfN Scrutiny Committee.

DETAIL

1. The Tees Valley has played an influential role in the creation of TfN's transport plan and the plan is reflective of our strategic transport priorities. The objectives of the Strategic Transport Plan are to:
 - Increase efficiency, reliability and resilience in the transport system

- Transform economic performance
 - Improve access to opportunities across the North
 - Promote and support the built and natural environment
2. The Plan sets out the strategic case for significant transport infrastructure improvements, for people and goods, across the North. It outlines a framework for transforming the transport infrastructure of the North over the next thirty years, in order to enable and support substantial economic growth. The document contains a number of sections identifying the major strategic interventions TfN believes are necessary to deliver transformational economic change. These are intended to complement local investment rather than replace it.
 3. Using the evidence of economic assets from the Northern Powerhouse Independent Economic Review, TfN have identified seven strategic corridors, where improving transport links will help link these economic assets.
 4. The corridors are:
 - *Connecting the Energy Coasts*: enabling people and goods to move more easily between advanced manufacturing and energy assets on the coasts of the north-east and north-west.
 - *West & Wales*: improving connectivity from and through the important economic centres and assets of Cheshire, Warrington, Liverpool City Region and Greater Manchester to North Wales and the West Midlands.
 - *Central Pennines*: better connecting the Local Enterprise Partnership areas of North Yorkshire, West Yorkshire and Hull & the Humber to Lancashire, Greater Manchester and Liverpool City Region.
 - *Southern Pennines*: improving multi-modal connectivity across the southern Pennines from the Port of Liverpool to the Humber Ports, via Cheshire, Greater Manchester and Sheffield City Region, as well as strengthening cross-border movements into the East Midlands.
 - *North West to Sheffield City Region*: strengthening rail connections between the advanced manufacturing clusters in Cumbria, Lancashire, Greater Manchester and Sheffield City Region, alongside improved connections up into Scotland.
 - *East Coast to Scotland*: improving rail services along the East Coast Main Line corridor, as well as via other key rail lines, such as the Durham Coast Line, to improve connectivity in the North East, Tees Valley and North Yorkshire.
 - *Yorkshire to Scotland*: strengthening road links between the Midlands, South Yorkshire, West Yorkshire, Tees Valley, the North East and Scotland.
 5. The strategic corridors of most interest to the Tees Valley are 'Connecting the Energy Coasts' 'East Coast to Scotland' and 'Yorkshire to Scotland'. When summarising these corridors the document acknowledges the importance of improvements to the A66 corridor to Teesport, the need to improve the East Coast and Durham Coast railway lines, the importance of delivering our 2025 vision for Darlington Station, and the need for a new crossing of the River Tees. The other corridors also identify a number of potential investments across the North of England, which will help connect the Tees Valley to wider destinations and markets in Northern cities and beyond.

6. Whilst TfN have already worked with partners to identify some of the emerging investment priorities in each corridor, identifying all the long-term schemes which will be required is ongoing. By looking at all the individual interventions collectively, and developing Strategic Outline Programme business cases, TfN can identify the programmes of work that deliver the maximum benefit. TfN expect to provide more detail on emerging investment priorities in the final version of the plan.
7. Over the coming year we will continue to work closely with TfN to bring forward these strategic studies and to develop these and other strategic transport priorities for our area.

Other sections of the plan

8. **Northern Powerhouse Rail (NPR)** defines a rail network which would link the major economic centres of the North with rapid, reliable and resilient rail links, offering much faster journey times than are currently possible. The aspirations of Northern Powerhouse Rail would be delivered with a range of investments, including significant upgrades to existing railway lines, the building of new lines and making best use of the planned HS2 infrastructure.
9. A **Long Term Rail Strategy** that has been prepared alongside the Plan sets out the vision for the rest of the rail network in the North, drawing on the significant work done to date by Rail North in co-managing the Northern and Trans Pennine rail franchises. This is a plan to transform rail across the North for both urban and rural communities. It sets out to deliver high quality rail services right across the north, with more frequent and better integrated services, faster journeys and good reliability, on modern trains with high quality facilities.
10. **The Major Road Network (MRN)** TfN has worked closely with its partners in local authorities to map out a Major Road Network for the North. This network identifies all the roads crucial to driving economic growth in the North. It connects both current economic centres and future economic growth locations, as well as major transport hubs to enable multi-modal journeys. With local connections alongside strategic roads, it accounts for about 7% of the roads in the North.
11. Suggested Interventions on the MRN will include junction improvements at key points, improvements at specific locations, including bypasses, and new links that will support economic growth opportunities.
12. **Integrated & Smart Travel** the document outlines a plan for developing an integrated and smart travel system for the whole of the North, with the first phase of this (smart for rail season tickets) due to begin roll-out early in 2018. Once completed, the integrated and smart travel system will deliver a scheme that will enable passengers to travel seamlessly using their preferred payment method, with a goal to deliver the fairest possible price on the day, with a walk-up fare for a journey.

Consultation

13. TfN are holding a public consultation for 13 weeks ending on the 17th of April. An independent report of the consultation results will be produced to aid refinement of the Plan. This report will allow the final STP to be updated to reflect feedback from the consultation.
14. All the information on the consultation, including electronic versions of the Strategic Transport Plan and its accompanying documents, are available on the TfN website (transportforthenorth.com). TfN will hold stakeholder engagement events across the North including in the Tees Valley.
15. Once TfN have considered the feedback from the consultation, they will be publishing a final version of the Plan later in 2018. Work continues to further understand the interventions required in each of the strategic development corridors, with final recommendations for all of these due by the summer.

Oversight and Scrutiny of the Transport for the North process.

16. TfN Member authorities will attend an annual meeting on 8th February to approve its new constitution. Following achievement of statutory sub-national transport body status TfN is required to establish a Scrutiny Committee. Each constituent member of TfN is entitled to appoint one member and one deputy to the TfN Scrutiny Committee. This committee will play an important role in monitoring the activities of the statutory sub-national transport body. Although there is no specific requirement that the member should also be a member of the Combined Authority's Overview and Scrutiny Committee, it would clearly be desirable to secure a clear link between scrutiny of TfN and the scrutiny of transport priorities within Tees Valley.
17. The criteria for membership of the Scrutiny Committee will be considered at the meeting on 8th February; including any provision for political balance, and whether executive members are eligible. Following its establishment, Cabinet will need to make an appointment from the Tees Valley. It is recommended that, following discussion between Cabinet members, an appointment is made at the next Cabinet meeting.

FINANCIAL IMPLICATIONS

18. This report has no financial implications for the TVCA.

LEGAL IMPLICATIONS

19. None.

RISK ASSESSMENT

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

CONSULTATION

21. A consultation process will take place between the 16th of January and the 17th of April.

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AGENDA ITEM 12

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

5 FEBRUARY 2018

REPORT OF THE HEAD OF EDUCATION, EMPLOYMENT & SKILLS

PORTFOLIO: EDUCATION, EMPLOYMENT & SKILLS

INSPIRING OUR FUTURE

SUMMARY

This report presents a summary of the recent consultation of the Education, Employment and Skills Strategy, “Inspiring Our Future”, and the changes to be incorporated into the final document.

An updated version of the strategy for further consideration will be circulated prior to the cabinet meeting with a deadline for further comment.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the consultation recommendations and the updated strategy
- ii. Agree to consider the strategy document circulated and make any further comment by Friday 9th February
- iii. Agree to delegate approval of the final document for final publication, formal launch and implementation to the Managing Director in consultation with the elected Mayor and Cabinet Portfolio lead member.

DETAIL

1. The Education, Employment and Skills strategy; “Inspiring Our Future, the Tees Valley plan to build the skills we need for a modern economy” was considered by Cabinet on 23rd November 2017. It was agreed to undertake a consultation on the draft strategy and for the recommendations from this consultation to be incorporated into a final document to be agreed by Cabinet.
2. This report summarises the consultation feedback and presents an amended strategy that incorporates the feedback provided for consideration.

3. The strategy provides a comprehensive approach to addressing a wide range of challenges across the Education, Employment and Skills arena whilst maintaining the focus of creating a locally available skilled workforce that provides the skilled personnel that businesses require. The strategy clarifies the priorities for immediate focus. These include:
 - a. Supporting innovation and collaboration between schools to address common challenges
 - b. Reducing business skills gaps
 - c. Increasing the number of apprenticeships created, particularly at higher and degree levels
 - d. Supporting people most distant from the labour market to secure and retain jobs
 - e. Expanding access to technical education for our young people
 - f. Improving and extending Careers and Enterprise Education
 - g. Supporting businesses to plan for their future skills demand
 - h. Enhancing the role of the Tees Valley Higher Education institutions
 - i. Ensuring local communities have access to high quality college and training facilities
4. A formal publicly accessible consultation was launched via the Combined Authorities website on 1st December and closed on 19th January. This consultation consisted of a short survey and opportunity to make general comment and recommendations for improvement. An invite from the Portfolio Lead was sent to key stakeholders to respond.
5. Additional consultation discussions and workshops have been undertaken during the consultation period. These included:
 - a) An Education, Employment and Skills Partnership Board (EESPB) workshop
 - b) A Tees Valley wide Councillor workshop
 - c) Presentation and discussion to the LEP Board
 - d) Discussion at the Small Business Group meeting
 - e) Discussions with the Local Authority officers Group
 - f) Discussion at the Sub-regional School Improvement Board
 - g) Presentation to the Tees Valley Learner Provider Network
 - h) Discussion at the North East Science Industry Partnership
6. All comments and responses have been collated and considered. These comments have informed the strategy document presented.

Consultation summary

7. A detailed summary of the website consultation is attached as Appendix A for information. 58 responses were received via this route, 14% were resident in Tees Valley, and 33% were schools, 7% businesses and 12% Training Providers.
8. Generally the feedback has been very supportive of the strategy and many comments indicated that it was a great step forward to have a strategy that provided a comprehensive approach to addressing skill levels at all ages driven by economic demand.
9. A brief summary of the website consultation concluded that:

- a. The most important priority for respondents was 'Supporting education, innovation and collaboration' with 83% placing as their top or second top priority and 67% placing as their top priority.
 - b. The second most important priority is 'Developing a skills system for economic growth' with 50% placing as their top or second top priority.
 - c. Over a quarter of respondents (25%) thought that 'Supporting and challenging business to create the opportunities/jobs required' was a top or second top priority.
 - d. Over a third of respondents (31%) placed 'Creating a comprehensive Tees Valley wide careers initiative' in their top three.
 - e. The least important priority was 'Enhancing the role of higher education' with 81% placing as their least important or second least important priority.
10. The website feedback also concluded that the top ten activities considered to be critical to supporting people into work or improve Education, Employment and Skills are:
- a. Meeting the education workforce challenge and retaining teachers' was selected as the most critical activity with 57% of respondents placing as their most critical.
 - b. Increasing apprenticeships was selected was the second most critical activity with over a quarter of respondents (23%) placing as their most critical.
 - c. Over a third of respondents (43%) thought that 'Supporting school collaboration' was the most critical or second critical activity.
 - d. Around a third of respondents (27%) thought that 'Supporting schools to deliver more and better careers education' was the most critical or second critical activity.
 - e. The least critical activity was 'Improving careers support for adults' with 67% placing as their least or second least critical activity.
 - f. 'Supporting business to undertake more workforce planning' was also one of the least critical activities with 41% of respondents placing it in their bottom three.

Additional comments received

11. In addition to the Website comments we have received many additional and lengthy comments regarding the content. A short summary of these comments follow. Discussion was had with the LEP Board, the small business group and individual responses received from business. Businesses generally endorsed the strategy and clearly identified with the business demand for skills to be the key driver for raising skill levels and experience to create an available and skilled labour force.
12. Generally businesses engaged with the recognition that there is both a challenge and support approach to businesses to respond to this strategy. They recognised that businesses needed to do more to support the skills system, create more jobs and apprenticeships and provide better experiences of work for our young people. There was a specific discussion had that suggested innovative, digital solutions to world of work experiences through virtual reality that will be followed up.
13. A specific recommendation from business leaders was to provide greater emphasis on the creative, enterprise and entrepreneurial experiences in all skills and preparation for work provision. There was a strong sense that these skills are very much valued by businesses but applicants and young people struggle to articulate and demonstrate these skills when engaging with employers. It was recommended to

- include alignment of this strategy with the sector action plans, particularly with the creative industry sector but to also provide cross sector skills action plans.
14. Businesses strongly endorsed the development of this strategy to align with the UK Industrial strategy, particularly around boosting productivity and earning power of residents and helping businesses to create better, higher paying jobs.
 15. There was a recognition from businesses that more apprenticeships should be created alongside a focus on Science, Technology, Engineering and Maths skills development. They continue to consider these skills sets as a good base for progressive employment.

Key changes to the strategy document

16. There were four key areas for improvement that were regularly referred to during the consultation that have now been incorporated into the strategy. These are:
 - a. Direct consideration and linkage to the published UK Industrial Strategy
 - b. Greater prioritisation given to providing enterprise, creative and personal development skills as an integral part of the education, careers and skills services
 - c. Better recognition given to the role of higher education in terms of skills provision, support to business, raising aspirations and research and development
 - d. Clarifying the priorities and areas for attention, ensuring that these are consistent throughout the document

Further detail regarding the four key changes:

17. **Industrial Strategy**, the Industrial Strategy provides direction to increase productivity, help businesses create high quality, well paid jobs whilst improving people's skills in order to access these jobs. Ultimately the goal is to provide good jobs with greater earning power for all.
18. There is a strong emphasis on developing technical, digital and construction skills. This includes:
 - a. establishing a technical education system that includes updating school and college performance measures to assist students to make informed choices between technical or academic education routes
 - b. an additional £406m for maths, digital and technical education, including improving the quality of teaching to address the shortage of science, technology, engineering and maths skills
 - c. creation of a National Retraining Scheme that supports adults to re-skill (starting with £64m investment for digital and construction training)
19. The Industrial strategy prioritises business led solutions to addressing skills challenges and the role of employers developing and leading change. Changes to the Apprenticeship levy system will enable levy paying employers to transfer up to 10% of their funds to another employer.
20. There is a strong emphasis on the role of employers through the establishment of Skills Advisory Panels that will be integrated with mayoral Combined Authorities and Local Enterprise Partnerships to determine local skill priorities and influence over the provision of education and training for those over age 16, including the new technical route ways.

21. Generally the Education, Employment and Skills strategy did reflect the Industrial Strategy priorities, but this has been made more explicit in the updated document.
22. **Enterprise skills**-many comments were made regarding the absence in the strategy document of the importance of enterprise, creativity and personal employability skills. These comments originated from both businesses and the education and skills sectors.
23. Businesses clearly articulated their demand for more creative led learning in the skills system to develop creative thinking and responses to problem solving and leading change. This alongside their recognition that personal attributes and the knowledge of the world of work was critical to preparing people for work.
24. Businesses also provided general commitment to engage and create new solutions to providing support for careers and enterprise education approaches, for example digital businesses supporting the provision of virtual reality tools for work experience.
25. The education and skills providers have also requested support to assist them to provide more skills provision around personal experiences, enterprising skill development and employer led programmes of study to create real examples of tasks in the workplace.
26. The priority for enterprise and creative skills has been incorporated into the strategy in the appropriate priorities.
27. **Higher Education** –it was widely accepted that the Higher Education section of the strategy was weak and reflected the previous level of focus taken on supporting the development of higher skills in our workforce. There is recognition of the need for higher skilled people for the identified priority and growth sectors. Developing support for higher and degree level apprenticeships, articulating business demand for higher skills and creating the relevant courses to meet this demand will be a priority.
28. It was also identified that greater focus should be on the role of the Higher Education institutions located and delivering within Tees Valley. This included the role of Teesside University as the anchor institution and their role in research and development to attract inward investment and support to existing businesses to grow.
29. This section of the strategy has now been developed with Teesside University to refine and strengthen this priority.
30. **Priority clarification**- further work has been undertaken to ensure greater clarity of the priorities within the strategy and provide consistency throughout the document. This supports production of the associated delivery and investment plan.

Finalising the Strategy and moving to implementation

31. As highlighted a wide range of comments were received via the website consultation and individual submission. These have been considered and incorporated into the strategy where appropriate and many are relevant to be further considered when the strategy moves to implementation.
32. Due to the wide ranging and significant length of these comments we have not circulated these but are summarised as above. If any cabinet member would like to receive these in full please contact shona.duncan@teesvalley-ca.gov.uk

33. Once the strategy has been completed, task and finish work streams will be led by the Combined Authority to implement the strategy. The work streams will include a range of appropriate partners to ensure the delivery is objective and deliverable.
34. These work streams will reflect the six key themes within the strategy and will produce associated delivery plans for implementation. These delivery plans will include targets, funding allocations and timescales for delivery and will be regularly monitored and reviewed.
35. The delivery plan will be continuously monitored and reviewed by the Education Employment and Skills Partnership Board and progress reported annually to the Cabinet.

FINANCIAL IMPLICATIONS

36. The financial implications are incorporated into the wider Combined Authorities Investment Plan and are within the allocated budget. Additional opportunities for increasing access to national funding streams will be considered as they emerge.
37. The revenue and capital funding allocations are within the TVCA Medium Term Financial Plan.
38. The increased work to deliver the strategy will require further consideration of staffing requirements. These will be managed within the proposed Combined Authority budget.

LEGAL IMPLICATIONS

39. There are no immediate legal implications from approving this strategy.

RISK ASSESSMENT

40. Publication of the Education, Employment and Skills strategy is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.
41. Further development of the detailed delivery of the key strands of work will have risk assessments carried out as part of their ongoing implementation.

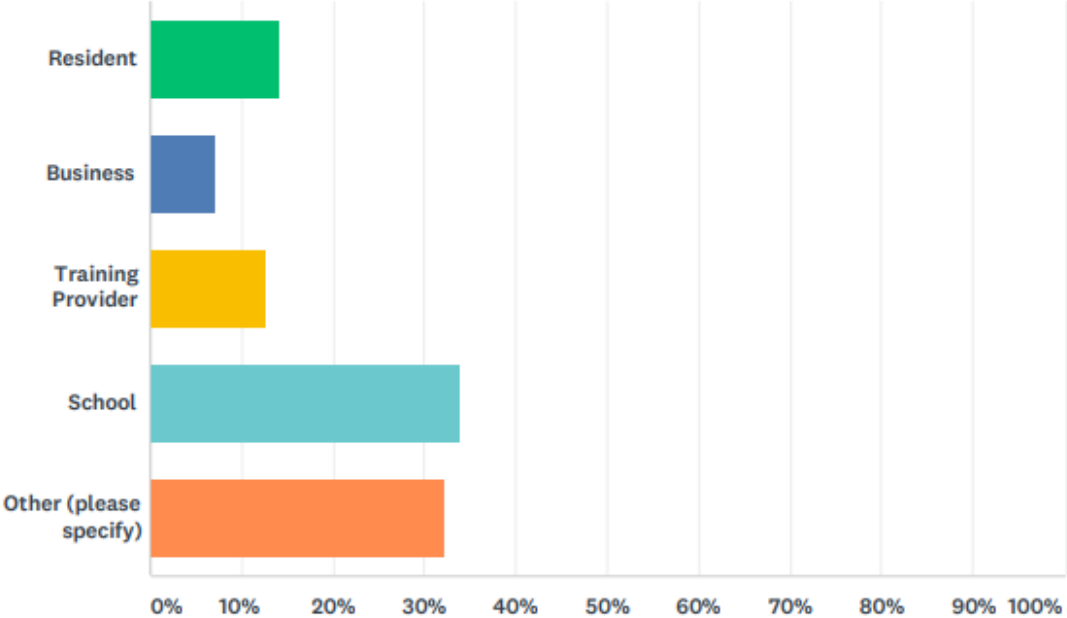
CONSULTATION

42. Consultation and engagement has been with Local Authority officers, Chief Executives and Leaders, the Education, Employment and Skills Partnership Board and has been available to stakeholders and the public for seven weeks from 1st December 2017 to 19th January 2018 for consultation.

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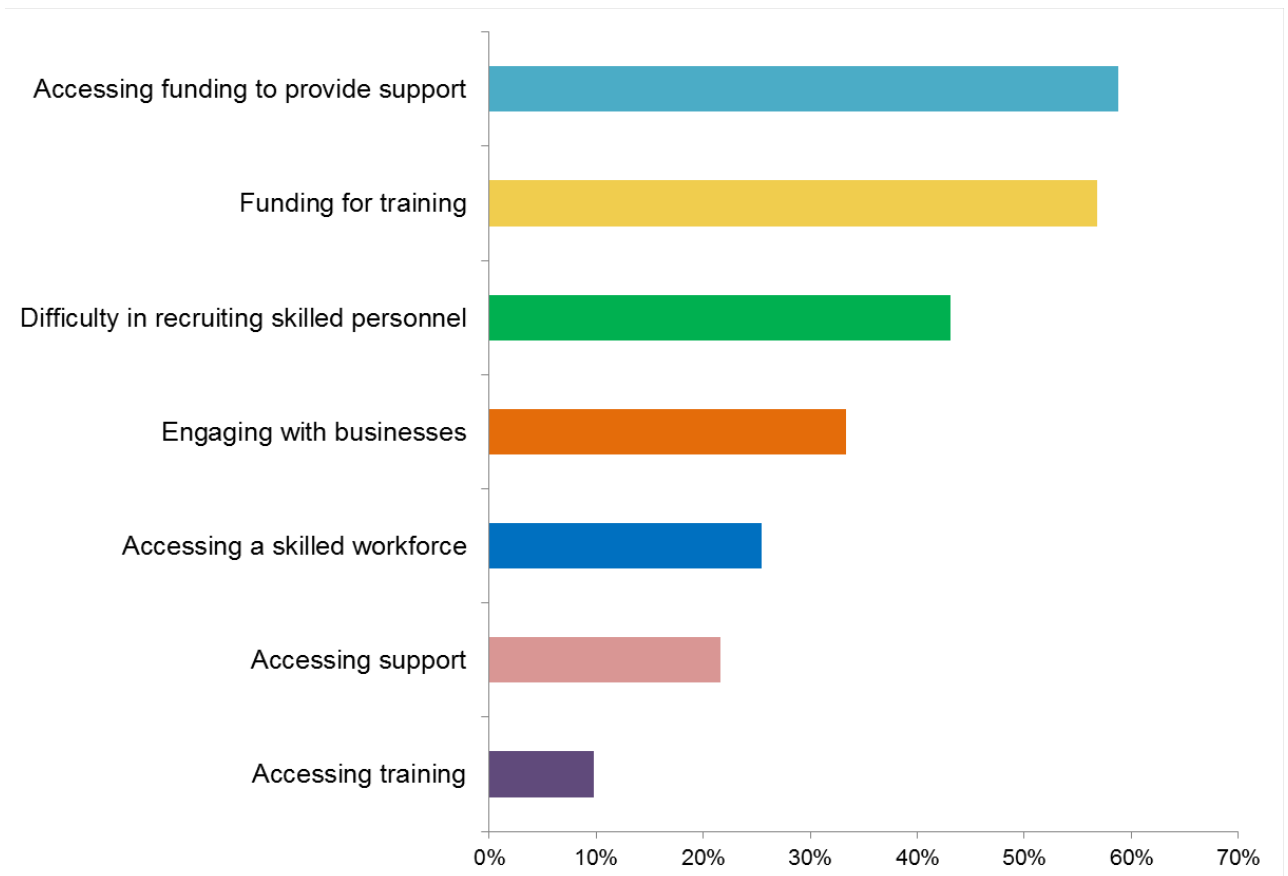
Q1 Are you responding as:

Answered: 56 Skipped: 2



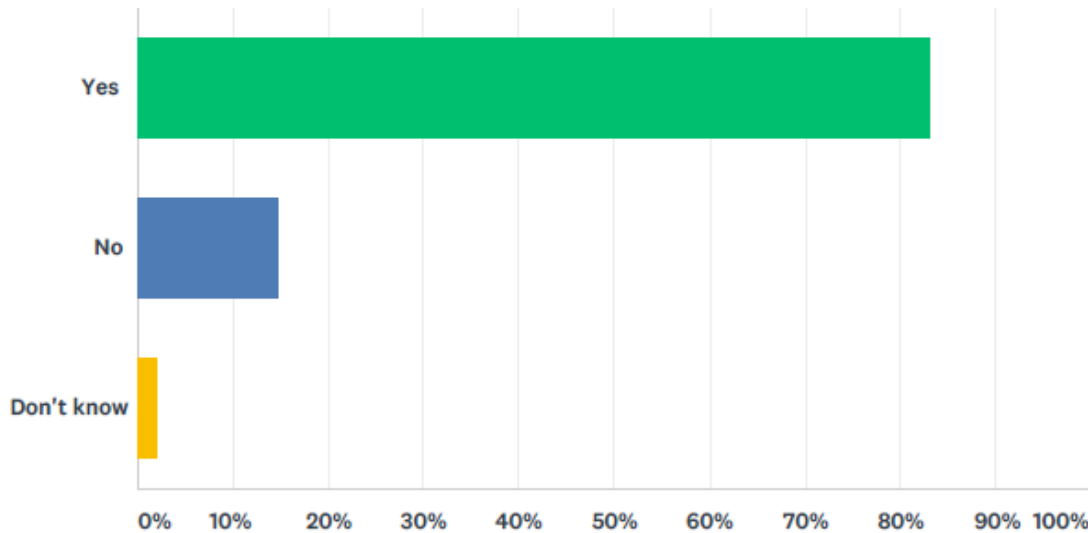
Q2 What skills, education or employment challenges do you encounter as an organisation or individual (tick all that apply)

Answered: 51 Skipped: 7



Q3 Having read the strategy, do you agree with the priorities identified by Tees Valley Combined Authority?

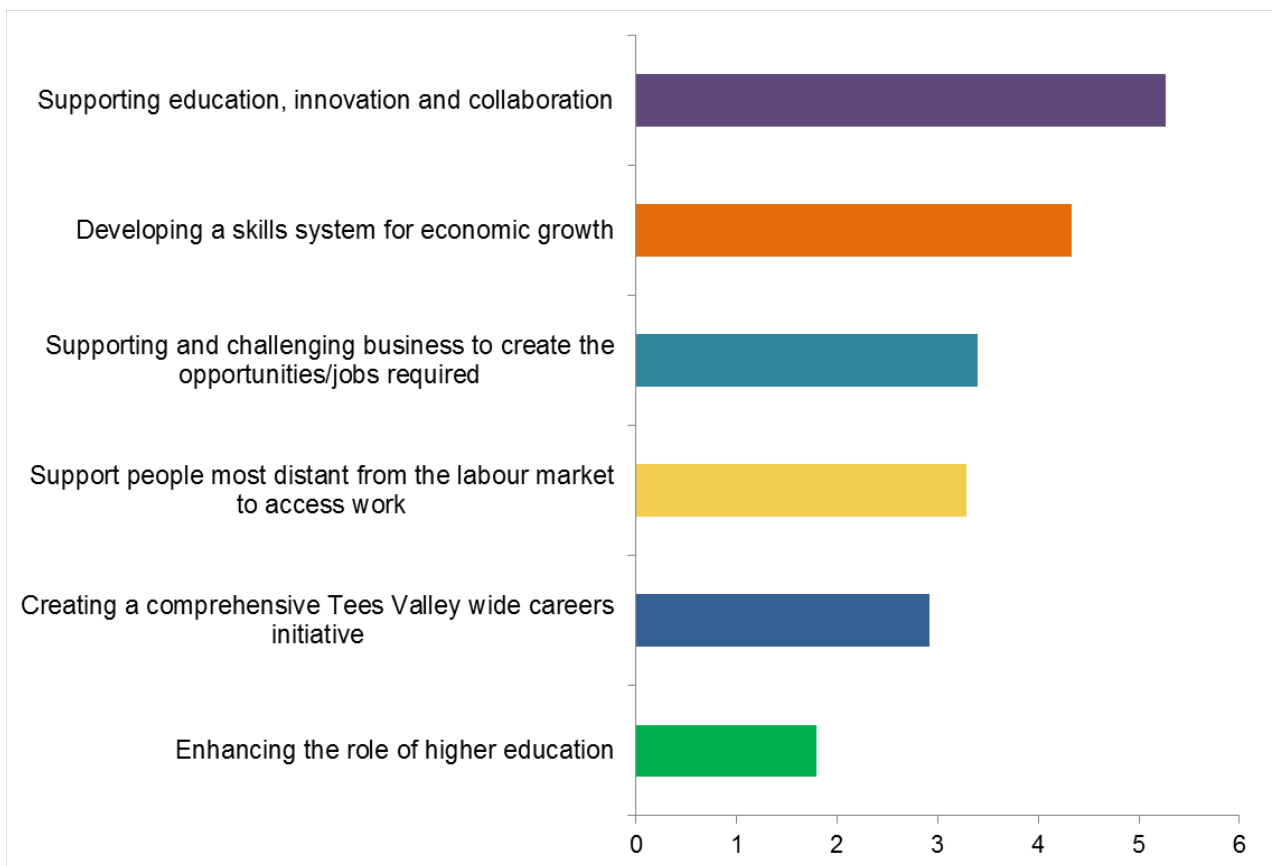
Answered: 47 Skipped: 11



#	IF NO PLEASE PROVIDE DETAILS:
1	A key focus should be on creating more good jobs. There are too many poor jobs in the Tees Valley and this holds us back.
2	Yes to all but would also like to see social factors addressed more, eg drug dependency in the environment, parenting, mental health and social care issues
3	I would like to see more emphasis upon ensuring secondary schools are good.
4	I would agree to some extent but not entirely therefore ticked no. Would like to see more mention of the link to growing employment opportunities/better paid jobs and encouraging employer investment; the importance of apprenticeships at levels 2 and 3 as well as higher/degree; the link to better transport to enable access to jobs; the importance of non-university higher education. Not sure what is meant by some aspects such as 'technical routeways for 14-16' means so feel unable to comment on some areas of the strategy.
5	We feel there should be a greater emphasis on apprenitceships and on level 4/5 higher skills.
6	But more emphasis needed on developing cultural capital
7	The crucial task in preparing young people for work readiness lies in the education they receive pre 16. Skills in the Tees Valley which will secure enconomic growth including those of effective communication, leadership, creativity, personal resilience and digita excellence are under-developed in many schools despite the work of Teaching schools and LAs. We need ageeater investment in developing these aspects from Early years through to age 16 if young people are to be ready for further training and employment.

Q4 Please rank the following priorities in order of importance for the Tees Valley, 1 being the highest and 6 being the lowest:

Answered: 48 Skipped: 10

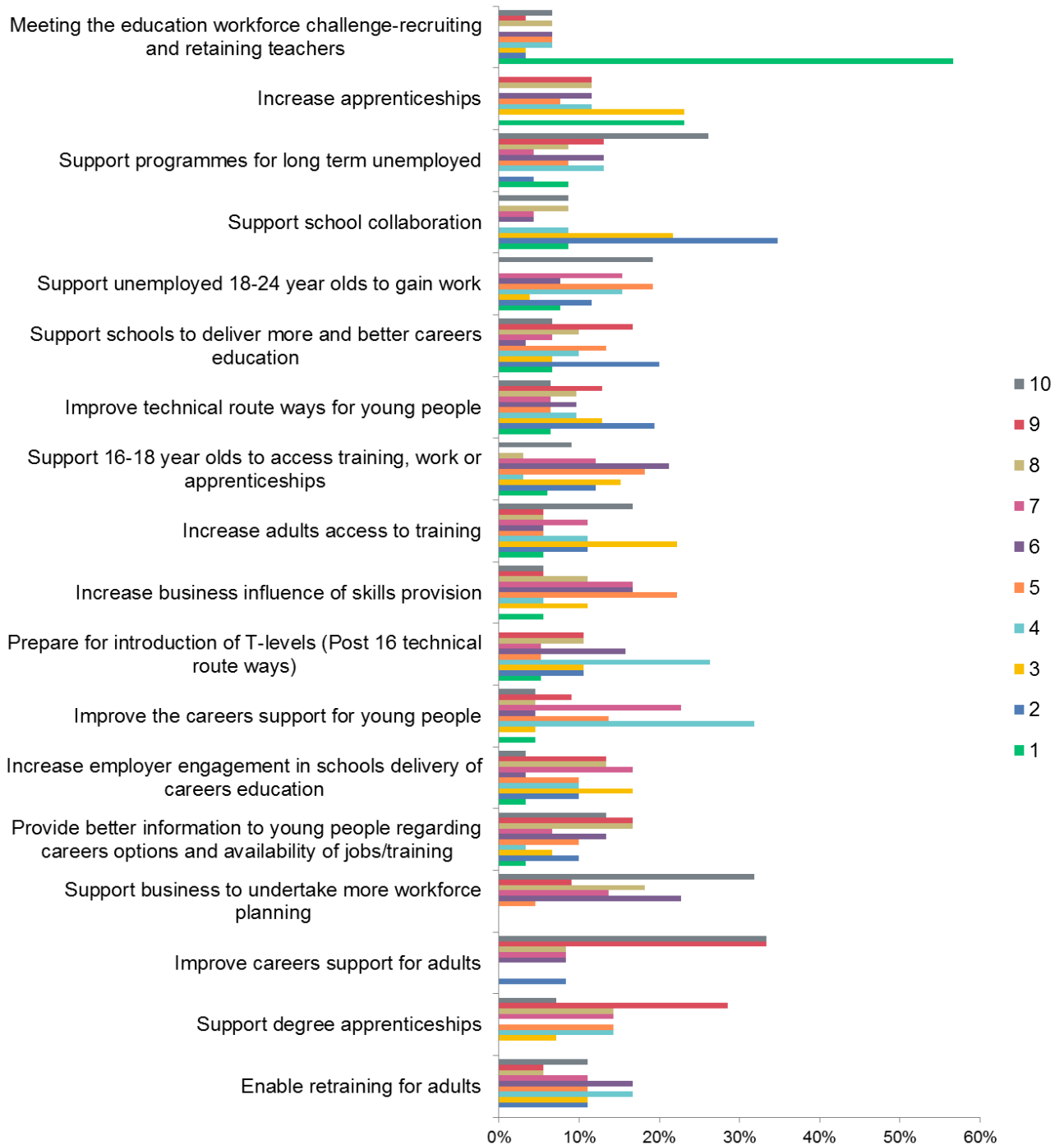


Q5 Please select the top 10 activities from the following list that you consider to be critical to support more people into work or improve the education, employment or skills system in Tees Valley. Please rank 1-10 with 1 being the most important and 10 being the least important.

Answered: 42 Skipped: 16

Appendix A Tees Valley Education, Employment and Skills Strategy
 Cabinet 5th February
 Website consultation summary

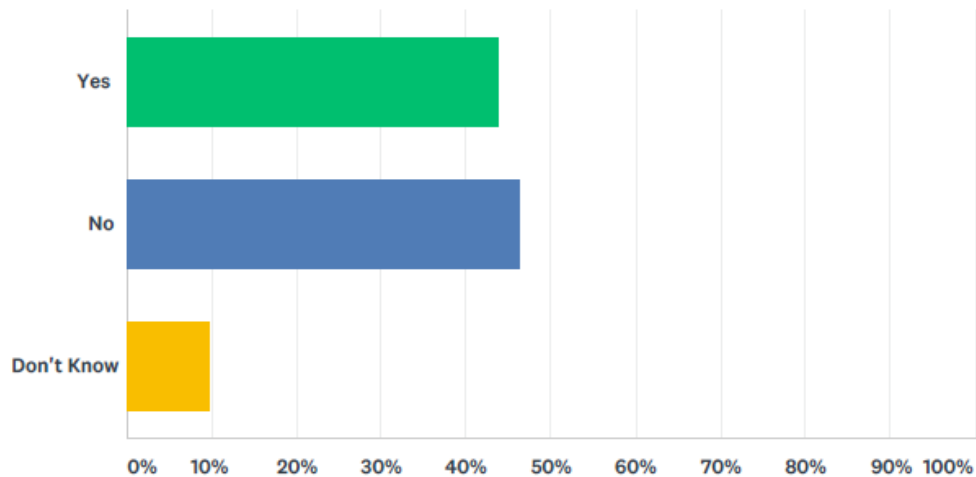
Top 10 critical activities



Appendix A Tees Valley Education, Employment and Skills Strategy
 Cabinet 5th February
 Website consultation summary

Q6 Are there any additional priorities that you would like to see addressed?

Answered: 41 Skipped: 17



#	IF YES, PLEASE PROVIDE DETAILS:	DATE
1	Initiatives to improve persistent absence rates in schools	1/19/2018 3:09 PM
2	A focus on poverty proofing each initiative so that all have access. Additionally, a clearer focus on our more vulnerable adults, particularly those with learning needs and physical disabilities.	1/18/2018 5:20 PM
3	Supporting collaborative pilot schemes that improve outcomes for pupils.	1/16/2018 8:08 AM
4	Efforts by the Combined Authority to increase the demand for, utilisation of and investment in skills	1/12/2018 7:59 PM
5	Society changes - eg influences of crime, drug and alcohol use, lack of opportunities for young people outside of school/college/work	1/12/2018 10:26 AM
6	Support for young people for transport to access jobs/apprenticeships/work experience or better public transport. More flexibility in skills funding regimes. Support and challenge to schools to ensure fewer young people leave school without English and math quals	1/11/2018 1:01 PM
7	Employer investment in skills and support the creation of higher value jobs.	1/11/2018 12:11 PM
8	Emphasis on the importance of STEM careers	1/3/2018 12:24 PM
9	Developing cultural capital links to sense of place and entitlement to a great job. More opportunities for this to be developed.	12/20/2017 2:46 PM
10	funding for CEIAG in schools	12/19/2017 11:15 AM
11	Ensuring that schools educate and deliver a curriculum that is of use to the working world and not just an easy examination gain.	12/13/2017 9:44 AM
12	More carrot and less stick to get people into work	12/12/2017 2:08 PM
13	Methods of learning, i.e. short courses, taster courses, and online learning for the region	12/11/2017 11:07 AM
14	An explicit priority about creating opportunities to provide pre-16 students with valuable experience of work	12/8/2017 2:45 PM

Appendix A Tees Valley Education, Employment and Skills Strategy
 Cabinet 5th February
 Website consultation summary

15	SME's need a single point of approach regarding the maze of apprenticeship & training. There are far too many stakeholders contacting businesses, my belief is that this discourages may companies from becoming involved.	12/8/2017 10:27 AM
16	We have the opportunity to create a regional area of excellence in education, this has to be the foundation of employability but will need analysis and careful planning of what we currently do well and what we need to do better. This should not just be based on perceptions, political judgements or preferences but a robust analysis of the current system and the future jobs market in the local area. An example is the use of Teaching schools, we need to ensure that these bodies are working effectively across the Tees Valley to recruit, train and support the very best teachers and leaders.	12/8/2017 9:29 AM
17	Social capital on schools curriculum	12/6/2017 11:51 AM
18	The CA should develop a Tees Wide school Improvement strategy to enhance the outcome for 11-16 education. If not we will be dealing with the same issues year on year	12/6/2017 11:14 AM

Appendix A Tees Valley Education, Employment and Skills Strategy
 Cabinet 5th February
 Website consultation summary

Q7 If Tees Valley Combined Authority could address one issue related to Education, Employment and Skills, what would it be?

Answered: 39 Skipped: 19

#	RESPONSES	DATE
1	Support unemployed 18-24 year olds to gain work	1/19/2018 3:12 PM
2	Supporting schools to deliver better careers advice and training opportunities for young people.	1/19/2018 11:55 AM
3	Giving our young people free transport so that they can access opportunities across Tees Valley. If free transport is not possible, then reduced transport costs, for example £1 a day maximum.	1/18/2018 5:25 PM
4	One overarching strategic plan	1/18/2018 2:40 PM
5	Careers Education	1/17/2018 10:17 PM
6	Creating clear pathways for young people from all backgrounds to access meaningful work experience and mentoring with organisations. So young people believe there are great career prospects within the Tees Valley and reduce the 'brain drain'.	1/16/2018 8:12 AM
7	recruitment of teachers and making curriculum more skills based to provide for skill based jobs good role models in schools	1/15/2018 10:23 PM
8	To work closely with businesses to map skills shortages. Incorporating future planning to pre-empt skills needed for growth before the shortage happens	1/15/2018 10:38 AM
9	Increase the demand for, investments in and utilisation of skills. Tees Valley institutions are producing students with high level skills and qualifications but there are limited places for them to work in good and meaningful employment	1/12/2018 8:02 PM
10	Supporting schools to improve and increasing funding streams into schools to enable them to improve standards.	1/12/2018 1:35 PM
11	Our labour market to be clear on the skills needed to get jobs in our local area (& beyond) and prepare our young people for this. This needs to be simultaneous with the raising of expectations and aspirations in the local communities.	1/12/2018 10:27 AM
12	Supporting the creation of more and better jobs, supporting inward investment and new opportunities as well as encouraging existing employers to upskill and take on apprenticeships.	1/11/2018 1:09 PM
13	Increase employer investment in skills.	1/11/2018 12:11 PM
14	support a proper careers service for our young people	1/10/2018 5:07 PM
15	Improve careers services to break down social norms when it comes to gender and career choices.	1/3/2018 12:25 PM
16	Develop more sustainable employment opportunities for young people	12/20/2017 3:05 PM
17	Developing a belief and understanding for school age pupils (primary and secondary) that they can and will attain a decent career. The massively growing research tells us that if we do this properly we change the cultural beliefs, the cultural capital of that age range which in turn has a knock on effect to attainment and achievement. Simply making more routes to work/better guidance is like plugging holes in a leaky dam, if you create a better dam in the first place the whole system functions properly. The focus on attainment of scores and qualifications alone in school is what is causing the issue. We have run several feedback sessions with students and they tell us this...which backs up what the research claims.	12/20/2017 2:57 PM
18	Better focus for pupils to CEIAG in schools - it's not all about exam results	12/19/2017 11:16 AM
19	Excite young people about the opportunities of working in technology related roles in the region	12/15/2017 5:32 PM
20	Helping those furthest from the Labour Market	12/14/2017 12:10 PM
21	To provide confidence and skills to adults furthest from the labour market to enable them to secure employment	12/14/2017 11:33 AM
22	early intervention before the crisis stage hits and giving teachers a better understand of mental health issues, the signs and how to deal most appropriately with young people who are displaying negative behaviours	12/14/2017 10:24 AM
23	Improve the Secondary Estate	12/13/2017 9:45 AM

Appendix A Tees Valley Education, Employment and Skills Strategy
 Cabinet 5th February
 Website consultation summary

24	Colleges to stop competing and be more collaborative, sharing resources etc.	12/12/2017 2:10 PM
25	Increase the number and range of Apprenticeships available	12/12/2017 2:01 PM
26	Give all young people the opportunity to see beyond their immediate locality. Provide support for young people to travel to the right education, training provider or employer rather than young people choosing one closest to home. Social mobility at its most effective.	12/12/2017 12:05 PM
27	Getting young people engaged with careers early	12/11/2017 3:15 PM
28	More Apprenticeships (Unfortunately some companies are using the LEVY for training and not apprentices.	12/11/2017 2:28 PM
29	Uniformed approach region wide, a joined up approach would make routes to careers much clearer for young people and adults alike, as well as allowing businesses to see a clear future pipeline of talent	12/11/2017 11:08 AM
30	Increase apprenticeships in the engineering sector	12/10/2017 6:59 PM
31	Improve the outcomes for white, working class, disadvantaged children	12/8/2017 2:47 PM
32	Business engagement in schools to raise awareness of career opportunities and reason behind subjects studied	12/8/2017 11:20 AM
33	Join up the offer for our young people. There are many pathways in existence and the process can look very daunting to a 16 - 18 year old. I once suggested a website which collated the training and employment opportunities available in one place that would allow a young person to have the appearance of a single source whilst in real terms they would be accessing opportunities from the widest range of employment and training providers possible, a bit like Amazon for the training and jobs market	12/8/2017 10:33 AM
34	Communication schools including oral confidence, reading and writing abilities. Given the growing deprivation and International New Arrivals, we need to ensure that all young people are able to communicate in all formats effectively. Data shows us that we are failing to support some groups effectively within the area- especially boys	12/8/2017 9:35 AM
35	Set up and encourage life long learning with clear technical carer pathways. Help an employee remain relevant throughout their working life	12/8/2017 9:34 AM
36	support more young people to engage with training/work	12/6/2017 1:39 PM
37	Ensuring disadvantaged pupils perform well when they leave secondary education	12/6/2017 11:51 AM
38	Improve links between education and the workplace	12/6/2017 11:42 AM
39	Improve School outcomes for 11-16 students to enhance the skill and education set of school leavers entering education, training or employment	12/6/2017 11:15 AM

Appendix A Tees Valley Education, Employment and Skills Strategy
 Cabinet 5th February
 Website consultation summary

Q8 If you have any other comments on the strategy, please state here:

Answered: 15 Skipped: 43

#	RESPONSES	DATE
1	A greater clarity needs to be brought to the proposed activity plans and priorities. The creative and cultural industries are insufficiently represented in the strategy. More emphasis should be given to developing entrepreneurial skills.	1/19/2018 3:12 PM
2	Totally agree with the Careers pledge. Would urge you to consider the importance of transport within the Tees Valley as a whole.	1/18/2018 5:25 PM
3	no	1/17/2018 10:17 PM
4	A greater amount of funding allocation to education is needed in comparison to the other issues addressed in the strategic planning.	1/12/2018 1:35 PM
5	It would be useful to see a range of specific measurable targets in the Strategy	1/11/2018 1:09 PM
6	the strategy is sound - resourcing it may be a major issue if all the priorities are to be delivered. I believe there must also be a challenge to employers to encourage lifelong learning and continuous career development for all employees to drive ambition and upskilling	1/10/2018 5:07 PM
7	Schools will not prioritise this under the current inspection requirements. We worked with 10 000 pupils on meaningful encounters with the world of work in 2017. All the work is based on what the longitudinal research tells us will have an impact. So if we know that this is most likely to work, will have a long term impact but the schools won't do it, we have a problem. I was fortunate to bring in £100k of funding to take away the barriers this year and by and large it has worked. We gave schools a range of dates, a range of evidence based events to attend and we organised them a bus when they told us which they'd like to attend. This worked to a large extent. Even without transport funding we ended up having to put on extra dates for primaries because they understand far better than secondaries the role of developing the individual rather than hitting scores and wanted to attend more. That funding was a one year fund that allowed us to hit so many pupils. Our centre used half of the funding, the rest went to Darlington where they worked with about 1500 pupils. More funding, better support from employers for each event and it is a simple strategy to scale up.	12/20/2017 2:57 PM
8	Good work	12/15/2017 5:32 PM
9	Interesting but too long. Actions speak louder than words. I would like to see a follow up document with outcomes	12/12/2017 2:10 PM
10	It is really powerful to see the cohesive strategy for address the key issues in an area of the country that really suffers from poverty of aspiration and limited opportunities.	12/8/2017 2:47 PM
11	I agree with the priorities and welcome the introduction of the strategy	12/8/2017 11:20 AM
12	I would like to see some very simple and easy wins achieved at the earliest opportunity possible to generate confidence in the strategy . The wins should be shouted from the rooftop.	12/8/2017 10:33 AM
13	The vision is high, to create a workforce that is fit for the future of the Tees Valley. We need to start with a thorough analysis of where we are now. What is working well? What can one LA learn from another? What can we achieve together through evidence based practice that we could not achieve alone as single LAs? Without the right foundation for pre-16 young people the presented strategy will be less effective and poor value for money.	12/8/2017 9:35 AM
14	You have missed out some key industrial sectors (such as fabrication / manufacturing and technical consultancies both significant sectors in the Tees valley with a highly skilled work force. You should challenge industry more to become engaged Need to explore a innovative way to help SME's who often use short term contracts, engage with apprenticeship training. May need a Tees Valley group training fund for SME's	12/8/2017 9:34 AM
15	-	12/6/2017 1:39 PM

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AGENDA ITEM 13

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

5 FEBRUARY 2018

REPORT OF HEAD OF EDUCATION, EMPLOYMENT AND SKILLS

PORTFOLIO: EDUCATION, EMPLOYMENT & SKILLS

ROUTES TO WORK

SUMMARY

This report summarises the plans for the local delivery of the Routes to Work Pilot.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Cabinet:

- i. Note the progress to date with the Tees Valley Routes to Work Pilot
- ii. Support the Local Delivery Plans for each Local Authority area subject to further refinements in the light of further analysis and experience with the pilot over time.

DETAIL

Background

1. In February 2017 Tees Valley Combined Authority Cabinet agreed to the submission of an application for funding to the Department for Work and Pensions (DWP) to support those most distant from the labour market to prepare for and access work. The submission was successful and £6m was awarded to the Combined Authority. Cabinet agreed to provide £1.5m as match funding for this pilot.
2. The pilot is an opportunity to test new ways of collaborative working at a local level that take a person centred and responsive approach to address the multiple barriers that some people face when trying to access work. The pilot will test if greater collaborative and person centred approaches deliver better and more sustainable outcomes for these vulnerable people.
3. The Pilot will provide holistic support from a range of service providers for those unemployed or inactive individuals across the Combined Authority area, who are deemed to need the most help and support to move back into work.

4. Local delivery would be designed to:
 - Create multi agency delivery approaches, led by each local authority.
 - Bring together existing services with innovative holistic support to move people through their journey towards and into work.
 - Provide ongoing 'in-work support', for both the individual and the employer, over the first 12 months of employment.
 - Provide flexible funding to support individuals and employer incentives where appropriate.

Customer Group

5. The target customer group is those **aged 30 and over**, who face a number of barriers or challenges, for example:
 - the long term unemployed;
 - those with significant/multiple barriers who are therefore unlikely to find work in the next 12 months;
 - those for whom a claim to Employment Support Allowance (ESA) has been rejected;
 - the ESA Support Group (those with a significant health issue or disability but who may be able to work with assistance);
 - Those who are not in work but who are disengaged from the support system and therefore not claiming benefits.
6. Since the formal announcement of our success in June 2017, work has been underway to:
 - Develop and agree Local Delivery Plans with the five local authorities.
 - Develop and agree the required Tees Valley customer journey model for the Department for Work and Pensions, the Combined Authority and our local delivery partners.
 - Reach an agreed 'Memorandum of Understanding' (MoU) with the Department for Work and Pensions, on the profiling of targets and finance across the life of the pilot.
 - Secure a formal Grant Offer Letter from Government and so release funding to support local delivery.

Funding

7. The first two instalments (of £1.5 and £2 million) are due to be paid by 31st March 2018, subject to the Memorandum of Understanding (MoU) between the Department for Work and Pensions and the Combined Authority being agreed. The remaining instalment of £2.5million, will be paid subject to satisfactory progress being made on achieving the set targets.

Key Performance Indicators /Targets

8. Overall performance indicators were set for the pilot in the submitted business case. These have recently been re-profiled to account for the fact that a formal start has been delayed awaiting agreement of the Memorandum of Understanding and receipt of the Grant Offer Letter from the department. This has effectively extended the end-period of the programme by a further six months.
9. The targets for the pilot are:

Routes to Work Performance Indicators						
FINANCIAL YEAR	Year 1 1.10.17 - 31.3.18 (6mth)	Year 2 1.4.18 - 31.3.19 (1yr)		Year 3 1.4.19 -31.3.20. (1yr)	Year 4 1.4.20 - 31.3.21 (1yr)	Totals
Engaged in the programme	50	1050		1100	300	2500
Making positive outcomes	25	950		1000	275	2250
Making significant progress/ moving closer to securing work	10	200		500	228	938
Moved into employment	0	50		250	75	375

TVCA-DWP Memorandum of Understanding

Agreement to an MoU with DWP is a precondition of funding. Progress has been slow , as the Combined Authority has challenged unexpected detail and expectations from the DWP provided after the agreement to award funding, and amendments to the definitions within the performance framework, following receipt of the business case. More recently, good progress has been made, and we are confident that the MOU can now be signed. This agreement will then release the Grant Offer Letter. Once these arrangements are in place, we are confident there will be sufficient local discretion to ensure an effective locally-led approach.

Local Delivery Profiles

10. Delivery targets were provided in the business case for the pilot at a Tees Valley level. The local authority officer operational group have agreed indicative targets to each local authority delivery area, based upon their percentage split of those residents who are out of work and on active benefits as set out in the following table.

Unemployed Benefit Claimant split per area (Nov 2016)			'Indicative' RTW targets per LA area based on same % split as benefits in the area			
Local Delivery Area	Claimants not in Employment	% of overall number on benefits per LA area.	Engagements for RTW pilot	Number achieving positive outcomes	Making significant improvements /moving closer to securing work	Moved into employment/self-employment
Middlesbrough	13,983	26%	650	585	244	97
Hartlepool	8,687	16%	400	360	150	60
Redcar and Cleveland	11,012	20%	500	450	188	75
Stockton-on-Tees	13,753	25%	625	563	235	94
Darlington	6,933	13%	325	293	122	49
Total for Tees Valley	54,368	100%	2500	2250	938	375

NB: This is not a fixed allocation per area and may need to flex to allow for additional or lower take up on the programme in certain areas as the pilot progresses. The overall aim of the pilot will be to collectively achieve targets across Tees Valley.

Local Delivery Plans

11. Local Authorities were asked to submit local delivery plans prior to the Christmas Break. These have now been received from all five local authorities and have been collated by the Combined Authority. These included both a contextual element on the delivery approach and financial profiles.
12. Following much discussion at the Pilot Steering Group and with individual operational leads, the local delivery models to be used are fairly similar across Tees Valley. All will include multi-agency approaches and work closely with other local partners, utilising shared accommodation and community venues. All will dove-tail with existing Local Authority services and those of the Voluntary, Community and Social Enterprise Sector. This will include other programmes such as the Youth Employment Initiative (which has now been extended until 2023) and with 'Step Forward Tees Valley', the Big Lottery and ESF funded programme to help adults with particularly complex needs.
13. There follows a short summary of each of the local delivery plan narratives. Full versions are included as Appendix A-E **(to follow)**.

Darlington

14. The Darlington delivery model is based on a single hub approach, comprised of a Project Co-ordinator and a team of key workers with admin support to deliver their 13% indicative share of the Pilot. Staff will be recruited from local partner agencies where possible and will work closely with other existing service providers including Early Help services, Troubled Families, Housing, Benefits, Education, Learning and Skills, Public Health, Offender, Anti-social Behaviour services and other teams within the Council. Together this will offer a holistic service, working alongside the voluntary, community and social enterprise sector, external providers and employers.

15. Key workers will provide one to one support for customers and will maintain regular contact with other service providers working to support the individual. Staff will be based within a Council property in the heart of the Town Centre Marketplace, but will also operate from within a number of community venues including children's centres, local Jobcentre Plus offices, schools and libraries.

Hartlepool

16. The overall Hartlepool delivery model which will be used to deliver Hartlepool's indicative 16% of the pilot, is based on a core team of employment advisers and employer engagement specialists led by a Routes to Work Co-ordinator. Staff will operate predominately from Community Hubs, including Hartlepool Enterprise Centre and a new mobile hub, but will also go out to a number of community based venues across the town. Referrals will be received from the community based organisations and multi-disciplinary locality teams as well as from Jobcentre Plus, grass roots community organisations and also from mainstream partners such as Public Health.
17. The team will offer a broad range of support including their graduated 'Three steps to employment' programme which has been used successfully in the past and can be flexible enough to help those with the greatest need. There will also be a local multi-agency steering group to monitor progress and ongoing relationships with wider services

Middlesbrough

18. Middlesbrough has the largest indicative share of delivery at 26%, and will deliver their model using a network of existing Community Hubs and libraries where there are already activities underway to attract those residents who are most in need of help. This will include working closely with other existing services, both mainstream, e.g. Public Health, Troubled /Stronger Families, Housing, Property services and Middlesbrough Inclusion Service. It will also work alongside the voluntary, community and social enterprise sector, Middlesbrough Achieving Partnership and the 'Breaking Down the Barriers' service which assists those with issues associated with homelessness.
19. The Routes to Work Team will include a Co-ordinator and a team of Key Workers who will support individuals with holistic support both in the customer journey stages through to in-work support through the first year of employment.

Redcar & Cleveland

20. Redcar and Cleveland has a share of the pilot of 20% and will operate their Routes to Work service from three geographically separate sites to cover a broader area of the borough. This will include Grangetown and Skinningrove Training and Recruitment Hubs, and Redcar Central Library. Other venues will include libraries and community centres for drop in sessions to meet customers. The team will operate alongside other agencies such as the community foodbanks, credit union and other existing teams, to maximise referrals and provide a more integrated service offer.
21. The teams will consist of a co-ordinator and a number of key workers, some of whom will concentrate on the engagement side, and others who will provide the holistic support and mentoring for individuals as they progress on the pilot. The team will also form a close partnership relationship with the Redcar and Cleveland Transformational Challenge Team (a multi- agency approach to community development) the Works Health Programme and Step Forward Tees Valley, who will all be represented on the local steering group for the Pilot.

Stockton on Tees

22. Stockton have a 25% indicative share of the delivery targets and will offer their holistic service from a number of community hubs across the borough, including a number in central Stockton, Billingham, Roseworth and Thornaby areas. All Routes to Work activities will be delivered in conjunction with wider existing services including Housing Gateways, Public Health, the Youth Employment Initiative team, Adult and Community Learning, and the STEPS Service for people with learning difficulties and disabilities. Other voluntary, community and social enterprise sector organisations will be involved in the local partnership, including Thirteen Group, Northstar Housing, Step Forward Tees Valley and Stockton District Advice and Information Services with opportunities for 'hot-desking' and sharing of accommodation to maximise distribution and referrals, whilst building strong professional services between staff, often supporting the same individuals.
23. Stockton are very keen to introduce intermediate labour market opportunities (involving paid work within community of public sector venues – e.g. the Community Cafe) into their delivery programme as a way of moving people back into paid work, increasing their confidence and providing vital experience. These would be for a limited number of hours and cover a 3-4 months duration providing a useful stepping stone into full employment and away from benefits, which could also be used across other areas.

FINANCIAL IMPLICATIONS

24. Routes to Work should be delivered flexibly, according to the needs of the client group. However, to assist with planning and encourage local discretion, financial profiles have been established between the Combined Authority and the five councils leading the programme in each area. These are **summarised at Appendix F**.
25. The overall finance allocated to this pilot is across four financial years and is within the TVCA budget, with £6m in additional income provided by DWP and a match funding contribution from the TVCA of a further £1.5m approved by Cabinet. Additional staff are required to deliver the programme within each borough, and project lead and analysis roles within TVCA.

LEGAL IMPLICATIONS

26. There are no specific legal implications within this proposal other than those included within a typical grant award agreement with a government department (DWP) and subsequently between the Combined Authority and delivery contractors.

RISK ASSESSMENT

27. This agreement to move forward into full delivery stage for the Tees Valley Routes to Work Pilot programme is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

28. Consultation has taken place with the Pilot Steering Group, the local authority operational group, the portfolio lead and the elected Mayor.

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Appendix F - Routes to Work Pilot -revised local area costs submitted 19.1.18

OVERALL COSTS PER LA	Cost Year 1 (2017-18)	Cost Year 2 (2018-19)	Costs Year 3 (2019-20)	Costs Year 4 (2020-21)	Total costs	Target number of beneficiaries	Share of TV delivery	% of TV costs
	TOTAL YR 1 £	TOTAL YR 2 £	TOTAL YR 3 £	TOTAL YR 4 (Apr-Oct) £	GRAND TOTAL BY LA £	per local area	% TV delivery Per LA	% TOTAL local costs per LA
Stockton	1,301	329,599	421,880	255,309	1,008,089	625	25	23
Middlesbrough	72,317	313,456	370,663	255,164	1,011,600	650	26	23
Redcar	73,495	374,631	417,182	235,037	1,100,345	500	20	25
Hartlepool	29,819	213,893	247,930	136,703	628,345	400	16	14
Darlington	5,254	256,907	252,517	87,473	602,151	325	13	14
TV Total	182,185	1,484,585	1,705,972	1,019,601	4,350,530	2500	100	100

Additional local delivery items		
Flexible Fund for Beneficiaries.	1,475,000	In addition to the allocations to local area costs above, there are a number of additional items which will be agreed for local allocation. Further work is required on these items to agree a consistent approach to eligibility of customers across Tees Valley.
Employer Incentives	759,000	
Externally commissioned delivery services	500,000	
Customer marketing /data management system	75,000	
sub total	2,809,000	
TVCA Central costs		
Central staffing	400,000	In addition to the local allocations, the following items (Central Staffing and External Evaluation) as detailed aside, will be managed by the Combined Authority.
External Evaluation	60,000	
Total TVCA central	460,000	
Totals		
Total overall costs for Pilot	7,619,530	
Budget available	7,500,000	
Balance	-119,530	

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AGENDA ITEM 14

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

5 FEBRUARY 2018

REPORT OF THE MANAGING DIRECTOR

GOVERNANCE AND APPOINTMENTS

SUMMARY

This report sets out the terms of reference for the Land Commission, a change to the membership of the Overview & Scrutiny Committee and an update on the recruitment process for the independent member of the Audit and Governance Committee.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approve the terms of reference for the Land Commission at Appendix 1;
- ii. Approve the appointment of Cllr Matthew Storey to the Overview & Scrutiny Committee at Appendix 2;
- iii. Delegate the appointment of the Independent Member for Audit & Governance Committee to the Finance Director and Chair of the Audit & Governance Committee.

DETAIL

Land Commission Terms of Reference

1. At its December meeting Cabinet agreed to proposals for a housing investment and delivery plan to deliver on a Housing Investment Agreement with Homes England (formerly the Homes and Communities Agency). The aim of the plan is to draw in additional investment to unlock stalled housing sites, accelerate housing delivery and significantly increase the provision of affordable homes. The Agreement secures the capacity, resources, funding and flexibilities needed to unlock these opportunities.
2. To ensure a joined-up approach and monitor the delivery against the agreement it was agreed by Cabinet that governance arrangements be reviewed.

3. It is proposed that the remit of the governance arrangements will be to support the delivery of the plan and oversee implementation of the agreement. It will not determine the priorities within the plan, as these will be determined at an individual local authority level, but it will seek to ensure that the opportunities of the housing agreement are maximised and escalate to Government where further flexibilities or funding is required to enable delivery. Fundamentally, the governance arrangements are in place to support overcoming barriers to the delivery of the plan.
4. The Land Commission was established under the devolution deal with a remit to unlock brownfield and publicly owned land for development. The terms of reference for the Land Commission were agreed by Cabinet in 2016 and the first meeting held May this year.
5. The Land Commission currently brings together the council executive portfolio members for housing appointed by each Council, is chaired by the Tees Valley Mayor, and is attended by a senior HCA official. It is supported by an officer working group, chaired by the Chief Executive of Stockton Council and supported by the Combined Authority's Head of Homes and Communities.
6. Rather than establish further governance arrangements for the housing agreement and delivery plan it is proposed that the role is added to the existing Land Commission and its officer led working group remit.
7. The proposed revised terms of reference are presented at Appendix 1.

Overview and Scrutiny Committee

8. Councillor Jordan Blyth of Middlesbrough Council has resigned from his post as a member of the Overview and Scrutiny Committee. He has been replaced by Councillor Matthew Storey.

Audit and Governance Committee

9. Colin Fyfe, Independent Member (financial matters) of the Audit & Governance Committee has recently resigned from his position to take up the position of Chair of the Audit & Risk Committee for the South Tees Development Corporation. The Combined Authority therefore advertised for a replacement. We have received two applications for the post and the process to select the most suitable candidate is underway. Cabinet approval is requested for the delegation of the appointment to Chair of the Audit and Governance Committee and the Finance Director. The appointment will be reported back to Cabinet at the next meeting.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

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

CONSULTATION

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

Name of Contact Officer: Andrew Lewis

Post Title: Managing Director

Telephone Number: 01642 527091

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

Appendix 1

Land Commission Terms of Reference

The aim of the Land Commission is to maximise the use of brownfield land and land held by Government departments and their agencies to support economic development and accelerate housing supply. To do this it will:

- Identify brownfield and surplus public sector land
- Assess the development opportunities to bring forward brownfield and public sector land
- Identify how brownfield and public sector land may better support local investment priorities and economic growth
- Identify the barriers preventing or delaying brownfield and public sector land being brought forward for development
- Work with the Combined Authority and individual Local Authorities to identify and agree priorities in overcoming barriers
- Work with Government and public sector land holders in overcoming barriers and bringing forward development
- Consider mayoral development corporation powers for key sites

In addition, the Land Commission has a remit to oversee the Tees Valley One Public Estate programme.

Furthermore, the Land Commission will oversee and support the implementation of the Housing Agreement with Homes England:

- Monitor implementation of the housing agreement and its underpinning delivery plan;
- Ensure that the opportunities of the housing agreement are maximised and escalate to Government where further flexibilities or funding is required to enable delivery;
- Support overcoming barriers to the delivery of the plan.

Appendix 2

Overview and Scrutiny Committee	Cllr Matthew Storey	Labour
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**THIS REPORT IS CONFIDENTIAL AS IT CONTAINS EXEMPT INFORMATION AS
DEFINED IN PARAGRAPH 3 OF PART 1 OF SCHEDULE 12A TO THE LOCAL
GOVERNMENT ACT 1972**

AGENDA ITEM 15

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

5 FEBRUARY 2018

**REPORT OF THE
FINANCE DIRECTOR**

PORTFOLIO: INVESTMENT

SOUTH TEES DEVELOPMENT CORPORATION UPDATE

SUMMARY

This paper sets on the latest position at the South Tees Development Corporation, including an overview of the reports expected to come to Cabinet over the next few months for decisions.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet notes this paper.

DETAIL

1. Since its incorporation on 1 August 2017, South Tees Development Corporation (“STDC”) has made significant early progress in preparation for the long term development of the former SSI site and surrounding land which forms its development area. It has secured an operating budget from central government to allow it to continue its work for the next two years.
2. Most significantly in its first six months it has been developing and consulting on a Master Plan for the site. The Master Plan was completed and went out to consultation in October, and a total of 23 events (7 public and 16 with community and business groups) were held all over the Tees Valley. Consultation events were generally well attended (a total of 952 attendees) and feedback on the plan was extremely positive. The next steps in the process include analysis of the responses, revision of the Master Plan and subsequent adoption of it as a Supplementary Planning Document to the Redcar & Cleveland Local Plan – by June 2018, ahead of the planned date for making a CPO.

3. At the same time, STDC has had a huge amount of interest from potential investors for the site. These investors include the type of major international investors that STDC is looking to attract to the region, in major and forward looking industries. For the most part these are major, multi million pound investments that will take time to deliver jobs, but the STDC Board is very encouraged by the level and quality of investors that have come forward at this early stage.
4. Key to being able to take advantage of these opportunities and fulfil the objectives of the Master Plan is the ability to acquire the land within the STDC boundary, and work to ensure that is achieved is ongoing.
5. STDC is currently working towards acquiring the land within its boundaries to allow it to commence development work. The land is principally within three broad ownerships:
 - Former SSI land owned by or leased to the Official Receiver and charged to the Thai banks;
 - Land owned by Tata; and
 - Land owned by Redcar Bulk Terminal Limited ("RBT"), a joint venture owned 50:50 by Greybull Capital (owners of British Steel) and the Official Receiver charged to the Thai banks.

Work is in hand to identify other parties that may have an interest in the land.

6. STDC is in negotiations with landowners and charge holders to purchase the land/remove the charges and, in the case of RBT, to acquire the shares in that company by agreement. In parallel, STDC is preparing to use its powers to CPO the land. Whilst CPO is not the preferred option, there is sufficient uncertainty as to the outcome and timing of these discussions as to make it necessary to have a CPO ready to proceed. It may also be desirable to utilise these powers to remove other land interests that could otherwise stymie redevelopment.
7. In terms of the negotiations to acquire the land and/ or shares by agreement, work is currently being undertaken to establish both the likely cash consideration required to make the purchase and the underlying liabilities that would be assumed by the transfer. Independent valuations of all of these will be established prior to any purchase. To the extent that any acquisition requires local funding, this will be a referral decision and will come to Combined Authority Cabinet for approval.
8. The STDC Constitution requires that where the Board of STDC intends to make a decision that will result in a significant risk of a financial, legal or environmental liability to the Combined Authority or any of its constituent authorities, this must be referred to the Combined Authority Cabinet for agreement before such liabilities arise and prior to the implementation of such decision.
9. STDC has the funds to undertake a CPO, through its allocations from central government. The actual making of the CPO will be a referral decision and will be subject to a further cabinet decision. The CPO process will then take up to 2 years before it is finalised. Assuming it is successful, there will be a further Referral Decision to Combined Authority Cabinet, to allow STDC to purchase the land at the open market value set by the CPO process.
10. After a CPO is made, the parties remain free to reach agreement voluntarily and in those circumstances, STDC could apply to have the Order varied to reflect such agreement.

11. In addition to these discussions, Combined Authority and STDC executives are in discussions with civil servants at BEIS and CLG through a Transition Group that is tasked with looking at how the former SSI site can be passed to local control. The future ownership of the land is linked to, but not necessarily dependent upon, proposals to be brought by this group, and key to this is assurance that Government will retain responsibility for funding the keep safe costs and the liabilities on the SSI site.
12. The Transition Group has produced a position paper that set out the current thinking on how this might be achieved and the implications for the South Tees Site Company, STDC and TVCA. This paper is set out at appendix A to this report. Its report is expected to be finalised in early April and will come to Combined Authority Cabinet in May 2018 for decision.

FINANCIAL IMPLICATIONS

13. None.

LEGAL IMPLICATIONS

14. None.

RISK ASSESSMENT

15. Low.

CONSULTATION

16. This paper has been produced in consultation with STDC and the Appendix relating to the Transition Group is agreed with it, including HMG representatives.

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South Tees Site Company Transition Group (the Transition Group)

Position Statement - January 2018

1. The Transition Group has been established to bring together officials from government departments, with the Tees Valley Combined Authority and South Tees Development Corporation. It is considering how and under what conditions the Tees Valley can assume greater local responsibility for the functions currently accountable to central government, and carried out by the South Tees Development Corporation as a government-owned company.
2. In principle, a transfer to local control would enhance devolution, ensure flexibility and responsiveness in responding to inward investors, and allow the South Tees Development Corporation to take full responsibility for its statutory functions – increasing the opportunities for good quality jobs on the site. But Ministers and Local Leaders have also acknowledged that any transfer of responsibility would need the agreement of the Tees Valley Combined Authority Cabinet. In order to recommend a transfer, Combined Authority officers would need to assure that the transfer of risk and liabilities can be met by transferred assets, financial returns from the site, and additional funding from government. It is also acknowledged that a long-term indemnity will be required to cover high impact risks that could not be mitigated locally.
3. There is also a close relationship between these issues and the future ownership of the site owned by SSI under receivership, as the charges held by the Thai Banks are resolved.
4. The Autumn Budget announced a £123 million allocation to cover keep-safe responsibilities for 4 years, actions to begin the remediation of the site and prepare plots for development, and to support the costs of the Development Corporation for 2 years. The Transition Group's work is complementary and additional to this announcement, focused on the further decisions that might be required to establish a longer term or permanent solution to relative national and local responsibilities for the site.
5. Key issues that are being discussed by the Transition Group include:
 - a. Plans to acquire the land and assets of SSI, either by agreement with the Thai Banks, to whom negotiations are ongoing and quite advanced, or by CPO. This includes a 50% shareholding in Redcar Bulk Terminal which is currently being formally valued;
 - b. Determination of the value of land including determination of the level of contamination and liabilities which will influence both the initial land value and the costs of remediation;
 - c. Costs of keeping the site safe, including the costs of demolition and returning the site to a developable state;
 - d. Requirements for indemnities from HMG to cover unknown liabilities; and
 - e. Governance during the transition and thereafter.
6. Proposals are still developing and will be subject to change over the coming months but in high level terms the following is being considered:

- a. Transfer of ownership of STSC to local accountability;
 - b. Transfer of the SSI land to local accountability when either a sale is agreed or CPO completed;
 - c. Arrangements to enhance local leadership and accountability of the programme announced in the Autumn Budget;
 - d. A long-term government indemnity to cover significant liabilities not anticipated within the agreed keep-safe costs;
 - e. Either sufficient additional funds to allow STDC to manage the keep-safe liabilities beyond 2022, or an arrangement which would require government to re-take responsibility if insufficient funds are made available.
7. The Transition Group will report with a proposals by the end of March to the Tees Valley Mayor and Ministers. Recommendation of the report are expected to be considered by the STDC Board, and to be referred to the Combined Authority Cabinet for decision in May 2018.

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Agenda Item 17

FOR INFORMATION

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

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

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

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

Decisions made under these delegated arrangements since December Cabinet are listed below:

Decision	Amount	Date
Project Commitments*		
Lupine Films Ltd Contribution to support the filming of a pilot TV series which promotes the Tees Valley and is a Tees Valley focused project.	£0.08 million	18.12.17
Centre of Excellence for Technical Training for the Creative Industries The previous Northern Lights Academy in Hartlepool will be rebranded to become a Centre of Excellence for technical Training for the Creative Industries, the core focus being the provision of technical education and learning pathways with specific emphasis on creative industries. Revenue and Capital Support to be provided to the project.	£0.65 million	18.12.17
TWI Nuclear Validation Centre Award of grant as an advance of the funding application for a new Nuclear Validation Centre on the TAMP site in Middlesbrough.	£0.5 million	21.12.17