

15<sup>th</sup> DECEMBER 2023

## REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

### QUARTER 2 BUDGET REPORT AND MEDIUM-TERM FINANCIAL PLAN UPDATE

#### SUMMARY

The purpose of this report is to provide an update on the financial position of the Combined Authority for the period ending 30 September 2023 and present a revised Medium-Term Financial Plan (MTFP).

#### RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approve the quarter 2 outturn position for 2023/24; and
- ii. Approve the revised Medium-Term Financial Plan.

#### DETAIL

1. This report sets out the quarter 2 financial position for 2023/24 and the medium-term financial plan (MTFP). The budget presents all forecast funding and expenditure for the plan period, with any amendments since the 2023/24 quarter 1 report was reported to Cabinet.
2. Other specific funding that has been secured to deliver projects and programmes since the budget was approved have been incorporated into the investment plan.

#### EXPENDITURE

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

Table 1	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	58,424	73,219	130,541	94,352	84,449	124,000	564,985
Education, Employment & Skills	36,712	45,294	41,678	38,794	38,794	77,208	278,480
Business Growth	88,004	33,459	43,215	4,843	2,949	5,858	178,328
Culture & Tourism	12,063	16,818	18,844	4,952	0	0	52,677
Innovation & Clean Growth	45,618	28,561	24,387	2,000	0	0	100,566
Place	16,875	20,645	55,302	24,926	0	0	117,748
<b>Investment Plan Total</b>	<b>257,696</b>	<b>217,996</b>	<b>313,967</b>	<b>169,867</b>	<b>126,192</b>	<b>207,066</b>	<b>1,292,784</b>
Concessionary Fares	14,011	12,786	12,786	12,786	12,786	25,572	90,727
Commercial Projects	68,335	38,303	2,380	0	0	0	109,018
Research & Evaluation	32	91	100	0	0	0	223
Core Running Costs	5,294	5,294	5,894	4,794	4,794	10,098	36,168
Costs of Borrowing	4,960	9,388	20,941	24,924	25,229	54,131	139,573
<b>TOTAL EXPENDITURE</b>	<b>350,328</b>	<b>283,858</b>	<b>356,068</b>	<b>212,371</b>	<b>169,001</b>	<b>296,867</b>	<b>1,668,493</b>

4. Since the previous MTFP report was approved by Cabinet additional funding has been secured to deliver specific projects and programmes across the period. In addition to this final reconciliations have taken place on completed projects which has resulted in some reductions in expenditure.

5. The Authority has engaged with its Treasury Management advisors to refresh the borrowing strategy and assumptions in line with the latest economic and interest rate forecasts.

6. A reconciliation of the impact of these amendments is provided below with all values shown representing the total additional allocations over the investment plan period. Further details are provided in the appropriate thematic section of the report.

Theme	Project	£'000
Transport	Rail Network Enhancements – Darlington Station	8,800
Transport	Covid related travel funds	-50
Education, Employment & Skills	Careers	317
Business Growth	ERDF Business Support Grants	-1,088
Business Growth	Made Smarter Programme	150
Business Growth	Rural England Prosperity fund	625
Innovation & Clean Growth	Net Zero Hub	2,348
Innovation & Clean Growth	Local Energy Advice Demonstration Project	4,400
Innovation & Clean Growth	Social Housing Decarbonisation Fund Wave 2	32,439
Costs of Borrowing	Interest Costs	3,410
<b>TOTAL</b>		<b>51,351</b>

7. As a result of these changes the total expenditure budget over the investment plan period has increased from £1,617.1 million to £1,668.5 million for the period 2022-2029

8. The actual position at quarter 2 is £121.4 million which accounts for 43% of the revised forecasted outturn for 2023/24 of £283.9 million.

## Transport

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	57,467	139,723	96,513	73,968	64,584	123,980	556,235
Adjustments for Funding Changes	0	-50	8,800	0	0	0	8,750
Reprofiling	957	-66,454	25,228	20,384	19,865	20	0
<b>TOTAL</b>	<b>58,424</b>	<b>73,219</b>	<b>130,541</b>	<b>94,352</b>	<b>84,449</b>	<b>124,000</b>	<b>564,985</b>

## Adjustments

9. In December 2022 DfT approved the full business case for Darlington Station Enhancements scheme which allocated £104.9 million to the project. The final delivery phase infrastructure works are split between the Authority and Network Rail. It has been confirmed that £8.8 million of this funding will come to the Authority with the remainder being delivered directly by Network Rail.

10. Final reconciliations have taken place on funds provided by DfT for covid related support measures, this has resulted in a £50k reduction in expenditure and the return of the funds to DfT.

## Reprofiling

11. The original CRSTS funding profile was developed and submitted as part of the Programme Business Case submission in January 2021. At this stage a number of the identified schemes were at an early stage of project development. The financial forecasts for the CRSTS funded projects have been re-baselined to reflect updated project delivery programmes produced for a large number of our schemes, which have reached the next stage of design maturity. Project level financial forecasts are constantly being refined as the projects progress and move towards delivery and are managed within the context of the programme funding constraints.

12. The actual position at quarter 2 is £28.5 million which accounts for 39% of the revised forecasted outturn for 2023/24 of £73.2 million. Expenditure is forecast to accelerate in the second half of the year at Darlington Station and the local cycling & walking infrastructure plan.

## Education, Employment & Skills

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	36,726	47,005	39,636	38,794	38,794	77,208	278,163
Adjustments for Funding Changes	0	231	86	0	0	0	317
Reprofiling	-14	-1,942	1,956	0	0	0	0
<b>TOTAL</b>	<b>36,712</b>	<b>45,294</b>	<b>41,678</b>	<b>38,794</b>	<b>38,794</b>	<b>77,208</b>	<b>278,480</b>

## Adjustments

13. The Careers and Enterprise Company provides the Authority with grant funding to engage with local schools and employers to improve the careers provision and ensure the

best outcome for all young people. The latest allocation has increased the available funds by £0.3 million for the current academic year.

## Reprofiling

14. As reported to Cabinet in September 2023 the Authority carried out an open call for the people and skills element of the UKSPF programme. This programme is aimed at providing employment support for economically inactive people, moving them closer towards mainstream provision and employment. Based on the profiles provided by the successful applicants £0.9 million has been reprofiled into 2024/25 from 2023/24.

15. Within the investment plan a capital allocation was provided to support education facilities in the sector, of which the remaining unallocated amount totals £0.6 million. This has been re-profiled into 2024/25.

16. Other minor amendments to profiles within the Education, Employment and Skills programme has resulted in £0.4 million reduction in the forecasted outturn for 2023/24 and increase for 2024/25.

17. The actual position at quarter 2 is £20.3 million which accounts for 45% of the revised forecasted outturn for 2023/24 of £45.3 million. The commencement of delivery of the UKSPF projects and acceleration in the delivery of the Skills Bootcamp will see the increase of expenditure in the second half of the year.

## Business Growth

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	88,758	57,561	18,302	5,668	3,067	5,285	<b>178,641</b>
Adjustments for Funding Changes	0	-938	625	0	0	0	<b>-313</b>
Reprofiling	-754	-23,164	24,288	-825	-118	573	<b>0</b>
<b>TOTAL</b>	<b>88,004</b>	<b>33,459</b>	<b>43,215</b>	<b>4,843</b>	<b>2,949</b>	<b>5,858</b>	<b>178,328</b>

## Adjustments

18. The Business support grants for business growth and Energy Efficiency funded by ERDF grants concluded at the end of quarter 2. The final claims are being compiled based on the grants drawn down and defrayed by businesses by the project deadlines. Upon final reconciliation of the claims from the businesses it has transpired that the private sector match into the projects has far exceeded the original forecasted amount. As a result of this increased match the value of grant payments from TVCA to the businesses has reduced accordingly which has resulted in a reduction in Authority expenditure of £1.1 million against the forecasted position.

19. In collaboration with Teesside University the authority is delivering the Made Smarter programme for the region. The programme aims to connect manufacturers to digital tools, innovations and skills that can transform the way they work. To support the delivery of this programme the Authority has secured £0.2 million for the financial year 2023/24 via the North East LEP.

20. An allocation of £0.6 million has been awarded to the Authority from the Rural England Prosperity fund to administer, providing capital grants to small enterprises in rural areas to benefit the local economy.

## Reprofiling

21. The Authority is supporting Stockton Council in their waterfront project to open up the high street and connect it to the riverside via an urban park. The project is match funded by funds the Council has secured directly from Government. These funds have differing time constraints attached to them, as such priority is given to expending these funds prior to drawing down Investment Plan funding. The latest forecasts received from the Council has resulted in £10.6 million of TVCA funding being re-profiled into 2024/25 as the council brings forward the Government funding to 2023/24 to meet the required deadlines.

22. As a result of the innovative complex nature of the next phase of the Digital Freeport project negotiations are continuing around the commercial arrangements for the delivery, as a result £3.0 million has been reprofiled into 2024/25.

23. The Redcar Rail Station project will restore and bring back into use the asset creating a modern, contemporary, and flexible mixed-use space. The business case has now been submitted by the Council to the Authority providing an updated financial forecast which has resulted a reprofiling of £3.8 million from 2023/24 into 2024/25.

24. As reported to Cabinet in September 2023 the Authority carried out a number of open calls for the Supporting Local Business element of the UKSPF programme. Based on the profiles provided by the successful applicants and the revised forward plan for future open calls £2.5 million has been reprofiled into 2024/25 from 2023/24.

25. A change request has been received in relation to the Skippers Lane Industrial Estate project, this has resulted in £2.0 million being reprofiled into 2024/25 to align with the revised timeline of the project.

26. Through funding secured from DLHUC, 27,000sqft of specialist Aviation commercial space and related infrastructure is under construction at Teesside International Airport to attract significant inward investment from non-passenger aviation related manufacturing, maintenance, freight, and operational services. Based on the latest forecasts received £0.8 million has been reprofiled into 2024/25 from 2023/24.

27. Various minor amendments to profiles within the Business Growth programme has resulted in £0.5 million reduction in the forecasted outturn for 2023/24, with it being reprofiled into future years.

28. The actual position at quarter 2 is £11.9 million which accounts for 36% of the revised forecasted outturn for 2023/24 of £33.5 million. The commencement of delivery of the UKSPF and Redcar Station projects alongside an acceleration in the delivery of the Airport project will see the increase of expenditure in the second half of the year.

## Culture & Tourism

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	12,063	24,923	14,091	0	1,600	0	52,677
Adjustments for Funding Changes	0	0	0	0	0	0	0
Reprofiling	0	-8,105	4,753	4,952	-1,600	0	0
<b>TOTAL</b>	<b>12,063</b>	<b>16,818</b>	<b>18,844</b>	<b>4,952</b>	<b>0</b>	<b>0</b>	<b>52,677</b>

### Reprofiling

29. The Authority is joint funding the Hartlepool Waterfront project which will create a 'destination' at the waterfront, encouraging growth in visitor numbers; overall, to regenerate the place via the tourism, leisure and culture offer. The Council has provided a forecasted expenditure profile for the project based on latest timelines of activity, as a result of this £6.1 million has been reprofiled from 2023/24 into 2024/25.

30. The Growth Programme for the Creative & Visitor Economies continues to be delivered at pace with a number of projects being delivered focused on economic recovery, regeneration, and growth through the sustainable development of the creative and visitor sectors. As part of a review of the commitments made from this programme £2.0 million has been reprofiled for delivery in 2024/25.

31. The actual position at quarter 2 is £9.3 million which accounts for 56% of the revised forecasted outturn for 2023/24 of £16.8 million. Work has progressed on Darlington Railway Heritage Quarter during the first half of the year with Investment Plan funds to be fully claimed by Quarter 3. The commencement of the Hartlepool project in the second half of the year will balance of the reduction in expenditure percentage wise from the completion of the Darlington project.

## Innovation & Clean Growth

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	45,618	11,695	4,066	0	0	0	61,379
Adjustments for Funding Changes	0	18,357	20,830	0	0	0	39,187
Reprofiling	0	-1,491	-509	2,000	0	0	0
<b>TOTAL</b>	<b>45,618</b>	<b>28,561</b>	<b>24,387</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>100,566</b>

## Adjustments

32. The Authority successfully secured £32.4 million from the Social Housing Decarbonisation Fund wave 2.1 to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF will upgrade a significant amount of the social housing stock currently below, and on an 'infill' basis at or above, EPC Band C up to that standard; delivering warm, energy-efficient homes, reducing carbon emissions and fuel bills, tackling fuel poverty, and supporting green jobs. The Authority will lead a consortia of Local Authorities and Housing Associations delivering the project within Tees Valley and the wider North East and Yorkshire Net Zero Geography.

33. The North East and Yorkshire Net Zero Hub, which TVCA is the accountable body for, has secured an additional £2.3 million to continue its operations across the region for 2023/24.

34. The Hub has been successful in securing £4.4 million for Local Energy Demonstration Projects (LEAD) from August 2023 to March 2025. The projects will test new and innovative approaches to providing in-person energy efficiency and clean heating advice to consumers at a local level.

## Reprofiling

35. Phase one of the CPI Novel Food Innovation Centre project has been completed, in the latest claim received from CPI the second phase of the project has been re-profiled to 2025/26.

36. The actual position at quarter 2 is £3.5 million which accounts for 12% of the revised forecasted outturn for 2023/24 of £28.6 million. Expenditure in the second half of the year is expected to increase significantly as delivery steps up on the Social Housing Decarbonisation and LEAD programmes.

## Place

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	16,875	28,645	49,728	18,000	4,500	0	117,748
Adjustments for Funding Changes	0	0	0	0	0	0	0
Reprofiling	0	-8,000	5,574	6,926	-4,500	0	0
<b>TOTAL</b>	<b>16,875</b>	<b>20,645</b>	<b>55,302</b>	<b>24,926</b>	<b>0</b>	<b>0</b>	<b>117,748</b>



## Reprofiling

37. There have been delays in the commencement of Brownfield Housing projects because of a number of factors. This includes the impact of Nutrient Neutrality on securing planning approvals, supply chain issues and a significant increase in inflation and costs of materials. As a result, there is a potential for underspend of this fund, so the current position £7.0 million has been reprofiled from 2023/24 into future years. The conditions for Brownfield Housing projects require projects to have commenced construction within the next 18 months. A strategic review is in progress to determine a project pipeline and a dialogue is ongoing with the Department for Levelling Up, Housing and Communities.

38. Programme call offs continue to be received for the Indigenous Growth Fund which establish the annual expenditure requirements for the programme. This has resulted in an additional £3.0 million being brought forward into 2023/24 from future years.

39. As development propositions have come forward for the place-based regeneration allocations the annual expenditure forecasts are being established, this is a fluid position currently and is still subject to change as propositions are assessed and prioritised. The latest estimations have resulted in a reprofiling of £4.0 million to future years from 2022/23.

40. The actual position at quarter 2 is £1.6 million which accounts for 7% of the revised forecasted outturn for 2023/24 of £20.6 million. The forecast is predicated upon the call off timelines and financial estimates provided by the constituent authorities for the Indigenous Growth Fund. As the year progresses and call off requests are received this will be kept under close review.

## Expenditure that sits outside the Tees Valley Investment Plan

### Concessionary Fares

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	14,011	12,786	12,786	12,786	12,786	25,572	90,727
Adjustments for Funding Changes	0	0	0	0	0	0	0
Reprofiling	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>14,011</b>	<b>12,786</b>	<b>12,786</b>	<b>12,786</b>	<b>12,786</b>	<b>25,572</b>	<b>90,727</b>

41. The English National Concessionary Travel Scheme (ENCTS) budget for 2023/24 is £12.79 million.

## Commercial Projects

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	69,243	39,775	0	0	0	0	109,018
Adjustments for Funding Changes	0	0	0	0	0	0	0
Reprofiling	-908	-1,472	2,380	0	0	0	0
<b>TOTAL</b>	<b>68,335</b>	<b>38,303</b>	<b>2,380</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>109,018</b>

42. The latest forecasts received for the Southside Business Park development has resulted in £2.4 million being reprofiled into 2024/25.

43. The actual position at quarter 2 is £32.0 million which accounts for 84% of the revised forecasted outturn for 2023/24 of £38.3 million. Expenditure on the South Bank Quay has now completed with the remaining expenditure in year linked to the Southside Business Park and the Waste facility loans to the constituent Authorities.

## Research and Evaluation

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	32	91	100	0	0	0	223
Adjustments for Funding Changes	0	0	0	0	0	0	0
Reprofiling	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>32</b>	<b>91</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>223</b>

44. To assess impact and inform future funding requirements a budget for research and evaluation was set aside. This includes the expenditure associated with the Government Gateway evaluation which was carried out by SQW.

## Core Costs

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	5,294	5,294	5,894	4,794	4,794	10,098	<b>36,168</b>
Adjustments for Funding Changes	0	0	0	0	0	0	<b>0</b>
Reprofiling	0	0	0	0	0	0	<b>0</b>
<b>TOTAL</b>	<b>5,294</b>	<b>5,294</b>	<b>5,894</b>	<b>4,794</b>	<b>4,794</b>	<b>10,098</b>	<b>36,168</b>

45. The core costs of the Authority relate to general running costs of the organisation developing and supporting investment in projects and programmes included in the Investment Plan. This heading includes the expenditure incurred relating to the Mayoral election which accounts for the annual increase every 4 years.

## Costs of Borrowing

46. The 2023/24 budget approved the use of the Combined Authorities borrowing powers to deliver the Investment Plan. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy. The loan repayments are made up of the minimum revenue provision (MRP) which is calculated based on the methodology set out in the Treasury management statement based on the capital financing requirement and interest on the actual external borrowing taken out.

47. The Authority minimises its costs of borrowing by utilising internal resources where required, sometimes known as internal borrowing, this reduces risk and keeps interest costs low. The calculations have been updated based on the latest profile of required borrowing requirements. As part of prudent financial planning the Authority is required to set aside MRP for the repayment of debt. This has been reviewed considering current delivery profiles and subsequent debt requirement.

48. Arlingclose expects long-term gilt yields to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility. In line with this advice the interest rate for future borrowing has been updated based on Arlingclose's forecasts.

## FUNDING INCOME

49. The below tables summarise the forecast funding across the medium term and the investment plan period.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1 MTFP Report	350,816	382,766	256,527	177,751	155,567	293,717	<b>1,617,144</b>
Adjustments for Funding Changes	0	11,951	35,871	1,183	-213	2,559	<b>51,351</b>
Reprofiling	-488	-110,859	63,670	33,437	13,647	593	<b>0</b>
<b>TOTAL</b>	<b>350,328</b>	<b>283,858</b>	<b>356,068</b>	<b>212,371</b>	<b>169,001</b>	<b>296,867</b>	<b>1,668,493</b>

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Devolution	15,000	15,000	15,000	15,000	15,000	30,000	<b>105,000</b>
Enterprise Zones	2,720	2,900	5,882	6,036	6,348	12,696	<b>36,582</b>
CRSTS	60,255	62,437	62,436	62,436	62,436	124,000	<b>434,000</b>
Loan Repayments & Investment returns	4,453	8,305	12,659	9,206	7,733	19,006	<b>61,362</b>
Government Grants	109,522	62,203	82,452	21,144	7,565	14,690	<b>297,576</b>
Adult Education Budget	30,750	34,429	35,179	35,179	35,179	70,357	<b>241,073</b>
Concessionary Fares	13,163	12,786	12,786	12,786	12,786	25,572	<b>89,879</b>
Borrowing	104,048	81,493	74,096	28,096	0	0	<b>287,733</b>
Movement -to / from reserves	10,417	4,305	55,578	22,488	21,954	546	<b>115,288</b>
<b>Total</b>	<b>350,328</b>	<b>283,858</b>	<b>356,068</b>	<b>212,371</b>	<b>169,001</b>	<b>296,867</b>	<b>1,668,493</b>

## Adjustments

50. The additional funding secured set out in table 2 and detailed in the thematic sections of the report account for £48.0 million of the increased funding for the investment plan period.

51. A thorough review of the assumptions linked to investment returns has been undertaken based on interest rate forecasts and latest repayment information. A previous review highlighted a reduced likelihood of investment returns being received and in order to be prudent these were reduced accordingly. However, as a result of returns now being received the returns have now been reinstated. This has resulted in an increase of £9.1 million over the investment plan period.

52. Through agreement with Government the Authority retains business rates collected on Enterprise Zone sites throughout the region. Due to delays in rates being payable from previous estimates the forecast for the investment plan period has reduced by £2.7 million.

53. An adjustment to the reserves available for investment following completion of annual accounts has increased the contributions being made from reserves by £5.6 million. In addition to this a reduction of £0.8 million has been applied to the concessionary fares income to account for funds held over from previous years.

54. The net effect of the above has resulted in reduction in borrowing required over the period of £7.8 million.

## Reserves

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

56. At the beginning of April 2022 there was a balance of £116.4 million of available funds held in reserve for future investments. It is anticipated that these will be utilised throughout the investment plan period to support the delivery of the investment plan, with a general reserve remaining as set out below.

57. Good practice guidance for Local Authorities is that a proportion of net revenue expenditure should be held in the General Balance Reserve to manage risk and any unforeseen circumstances. The Combined Authority manages overall resource requirements by reference to the MTFP and overall Investment Plan and the general reserve stands at £1.058 million.

## Borrowing

58. The Capital Financing Requirement (CFR) shows the underlying need to borrow to fund capital investments. The Authority's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Therefore, the actual timing of the borrowing may not always follow the profile of the CFR as the Authority looks to strike this balance, otherwise known as "internal borrowing".

59. Within the period the total CFR to deliver the Investment Plan and fund commercial projects is £288 million.

60. Adding the above borrowing requirement to the balance carried forward for borrowing gives a borrowing level of £450 million, this is well within the Government agreed borrowing caps of £1,000 million.



61. The repayments for the borrowing are affordable and can be financed from revenue funding received both during and beyond the investment plan period.

#### MEDIUM TERM FINANCIAL PLAN 2023-27

62. Funding and expenditure for the plan period is summarised in the medium-term financial plan as set out in **Appendix A**, split into capital and revenue in **Appendix B & Appendix C** respectively.

#### PRUDENTIAL INDICATORS

63. The CIPFA prudential code requires the Authority to report upon its treasury management indicators throughout the year. The latest indicators can be found in **Appendix D**.

#### FINANCIAL IMPLICATIONS

64. This report gives an update on performance against the budget for the Combined Authority, updates the Medium-Term Financial Plan and Investment Plan forecasts.

#### LEGAL IMPLICATIONS

65. There are no legal implications associated with the recommendations within this report.

#### RISK ASSESSMENT

66. This Budget Report remains as medium risk to reflect the work on the implementation of our group risk management strategy.

#### EQUALITY & DIVERSITY

67. There are no equality and diversity implications associated with the recommendations in this report. Specific proposals associated with business cases and Investment Plan funding draw down will consider these implications where applicable.

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## Medium Term Financial Plan 2023-27

MEDIUM TERM FINANCIAL PLAN	2023/24	2024/25	2025/26	2026/27	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	198,060	226,394	161,787	147,047	<b>733,288</b>
Borrowing	81,493	74,096	28,096	0	<b>183,685</b>
<b>TOTAL FUNDING</b>	<b>279,553</b>	<b>300,490</b>	<b>189,883</b>	<b>147,047</b>	<b>916,973</b>
Investment Plan	217,996	313,967	169,867	126,192	<b>828,022</b>
Concessionary Fares	12,786	12,786	12,786	12,786	<b>51,144</b>
Commercial Projects	38,303	2,380	0	0	<b>40,683</b>
Research & Evaluation	91	100	0	0	<b>191</b>
Core Running Costs	5,294	5,894	4,794	4,794	<b>20,776</b>
Costs of Borrowing	9,388	20,941	24,924	25,229	<b>80,482</b>
<b>TOTAL EXPENDITURE</b>	<b>283,858</b>	<b>356,068</b>	<b>212,371</b>	<b>169,001</b>	<b>1,021,298</b>
<b>TRANSFER TO / FROM RESERVES</b>	<b>-4,305</b>	<b>-55,578</b>	<b>-22,488</b>	<b>-21,954</b>	<b>-104,325</b>
Reserves Opening Balance	106,000	101,695	46,117	23,629	
Transfer To / From Reserves	-4,305	-55,578	-22,488	-21,954	
<b>RESERVES CLOSING BALANCE</b>	<b>101,695</b>	<b>46,117</b>	<b>23,629</b>	<b>1,675</b>	

Capital Medium Term Financial Plan 2023-27

CAPITAL MEDIUM TERM FINANCIAL PLAN	2023/24	2024/25	2025/26	2026/27	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	88,161	109,712	72,306	62,381	332,560
RCCO	5,108	3,944	0	0	9,052
Borrowing	81,493	74,096	28,096	0	183,685
<b>TOTAL FUNDING</b>	<b>174,762</b>	<b>187,752</b>	<b>100,402</b>	<b>62,381</b>	<b>525,297</b>
Investment Plan	131,817	239,725	118,679	84,448	574,669
Commercial Projects	38,303	2,380	0	0	40,683
<b>TOTAL EXPENDITURE</b>	<b>170,120</b>	<b>242,105</b>	<b>118,679</b>	<b>84,448</b>	<b>615,352</b>
<b>TRANSFER TO / FROM RESERVES</b>	4,642	-54,353	-18,227	-22,067	-90,055
Capital Reserves Opening Balance	90,055	94,697	40,344	22,067	
Transfer To / From Reserves	4,642	-54,353	-18,227	-22,067	
<b>RESERVES CLOSING BALANCE</b>	<b>94,697</b>	<b>40,344</b>	<b>22,067</b>	<b>0</b>	



Revenue Medium Term Financial Plan 2023-27

REVENUE MEDIUM TERM FINANCIAL PLAN	2023/24	2024/25	2025/26	2026/27	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	109,899	116,682	89,481	84,666	<b>400,728</b>
RCCO	-5,108	-3,944	0	0	<b>-9,052</b>
<b>TOTAL FUNDING</b>	<b>104,791</b>	<b>112,738</b>	<b>89,481</b>	<b>84,666</b>	<b>391,676</b>
Investment Plan	86,179	74,242	51,188	41,744	<b>253,353</b>
Concessionary Fares	12,786	12,786	12,786	12,786	<b>51,144</b>
Research & Evaluation	91	100	0	0	<b>191</b>
Core Running Costs	5,294	5,894	4,794	4,794	<b>20,776</b>
Costs of Borrowing	9,388	20,941	24,924	25,229	<b>80,482</b>
<b>TOTAL EXPENDITURE</b>	<b>113,738</b>	<b>113,963</b>	<b>93,692</b>	<b>84,553</b>	<b>405,946</b>
<b>TRANSFER TO / FROM RESERVES</b>	<b>-8,947</b>	<b>-1,225</b>	<b>-4,211</b>	113	<b>-14,270</b>
Revenue Reserves Opening Balance	15,945	6,998	5,773	1,562	
Transfer To / From Reserves	-8,947	-1,225	-4,211	113	
<b>RESERVES CLOSING BALANCE</b>	<b>6,998</b>	<b>5,773</b>	<b>1,562</b>	<b>1,675</b>	

## Capital Expenditure

	2023/24	2024/25	2025/26	2026/27	TOTAL
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	170,120	242,105	118,679	84,448	<b>615,352</b>
Capital Funding	88,627	168,009	90,583	84,448	<b>431,667</b>
<b>Capital Financing Requirement</b>	<b>81,493</b>	<b>74,096</b>	<b>28,096</b>	<b>0</b>	<b>183,685</b>

## Capital Financing Requirement

	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Balance Carried Forward	365,841	442,960	509,892	571,912
In Year Requirement	81,493	74,096	28,096	0
MRP & Receipts	-4,374	-7,164	-10,417	-11,510
Balance Carried Forward	442,960	509,892	527,571	560,402

## Gross Debt and the Capital Financing Requirement

	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Gross Debt	391,106	491,956	544,700	562,865
Capital Financing Requirement	442,960	509,892	527,571	560,402

## Debt and the Authorised Limit and Operational Boundary

	Maximum 23/24	Debt at 30.09.23	2023/24 Authorised Limit	2023/24 Operational Boundary	Complied
	£'000	£'000	£'000	£'000	
Borrowing	247,550	247,550	426,130	355,110	<b>Yes</b>
Leases	92,800	92,800	207,180	172,650	<b>Yes</b>
<b>Total Debt</b>	<b>340,350</b>	<b>340,350</b>	<b>633,310</b>	<b>527,760</b>	<b>Yes</b>

## Investment Plan Projects & Programmes

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Access to Opportunities	1,145	426	3,530	56	0	0	5,157
Active Travel Programme	3,632	4,443	38,096	22,013	15,005	0	83,189
Bus Programme	288	2,850	3,992	22,786	21,605	0	51,521
Decarbonisation Programme	1,097	999	1,032	1,060	0	0	4,188
Digital	1,630	1,714	2,902	5,192	2,000	0	13,438
Local Highways Funding	16,578	18,675	19,686	16,578	16,578	0	88,095
Place Based Transport Investment	17	326	8,243	10,457	13,000	0	32,043
Rail Programme	17,757	35,505	50,560	16,210	16,261	0	136,293
Teesside Airport	16,280	8,281	2,500	0	0	0	27,061
CRSTS 2 Programme TBC	0	0	0	0	0	124,000	124,000
<b>Transport Total</b>	<b>58,424</b>	<b>73,219</b>	<b>130,541</b>	<b>94,352</b>	<b>84,449</b>	<b>124,000</b>	<b>564,985</b>
Careers Support	904	411	145	0	0	0	1,460
Skills Capital	-181	0	667	0	0	0	486
Support for Business	2,046	1,347	190	190	190	0	3,963
Support for Individuals	33,943	41,865	37,347	35,179	35,179	70,358	253,871
UKSPF People & Skills Programme	0	1,671	3,329	0	0	0	5,000
UKSPF People & Skills Programme TBC	0	0	0	3,425	3,425	6,850	13,700
<b>EES Total</b>	<b>36,712</b>	<b>45,294</b>	<b>41,678</b>	<b>38,794</b>	<b>38,794</b>	<b>77,208</b>	<b>278,480</b>
Boho "The Digital City"	7,554	902	0	0	0	0	8,456
Business Infrastructure Projects	3,020	12,010	4,972	0	0	0	20,002
Business Support Programmes	10,113	15,792	19,269	4,843	2,949	5,858	58,824
STDC Projects	60,458	1,197	3,000	0	0	0	64,655
Stockton High Street	2,189	1,348	13,477	0	0	0	17,014
Welcome to Redcar & Cleveland	4,670	2,210	2,497	0	0	0	9,377
<b>Business Growth Total</b>	<b>88,004</b>	<b>33,459</b>	<b>43,215</b>	<b>4,843</b>	<b>2,949</b>	<b>5,858</b>	<b>178,328</b>
Culture & Tourism Programme	1,660	3,809	7,426	4,952	0	0	17,847
Hartlepool Waterfront (incl NMRN)	1,563	3,619	11,418	0	0	0	16,600
Darlington Railway Heritage	8,840	9,390	0	0	0	0	18,230
<b>Culture Total</b>	<b>12,063</b>	<b>16,818</b>	<b>18,844</b>	<b>4,952</b>	<b>0</b>	<b>0</b>	<b>52,677</b>
Housing Retrofit	32,889	19,353	18,660	0	0	0	70,902
Innovation Capital Infrastructure	10,537	2,363	2,941	2,000	0	0	17,841
Net Zero Hub Activity	1,645	5,902	2,170	0	0	0	9,717
Network Support Programme	547	943	616	0	0	0	2,106
<b>Innovation &amp; Clean Growth Total</b>	<b>45,618</b>	<b>28,561</b>	<b>24,387</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>100,566</b>

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Brownfield Housing	4,100	3,436	12,102	0	0	0	19,638
Car Parking	3,921	36	0	0	0	0	3,957
Indigenous Growth Programme	8,580	14,740	24,300	4,200	0	0	51,820
UKSPF Communities & Place	0	1,233	2,100	0	0	0	3,333
Place Based Investment Fund	274	1,200	16,800	20,726	0	0	39,000
<b>Place Total</b>	<b>16,875</b>	<b>20,645</b>	<b>55,302</b>	<b>24,926</b>	<b>0</b>	<b>0</b>	<b>117,748</b>
<b>INVESTMENT PLAN TOTAL</b>	<b>257,696</b>	<b>217,996</b>	<b>313,967</b>	<b>169,867</b>	<b>126,192</b>	<b>207,066</b>	<b>1,292,784</b>