

ADOPTION OF INVESTMENT PLAN, BUDGET 2024-25 AND MEDIUM-TERM FINANCIAL PLAN

SUMMARY

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

The Group Chief Executive and Group Director of Finance and Resources submitted a draft budget to Cabinet on December 15th 2023 for consideration and approval for the purposes of consultation. The Budget provides the financial framework within which the Combined Authority will operate in the forthcoming financial year (2024-2025) and over the medium term.

The consultation process has now completed, including consultation with Overview and Scrutiny Committee (O&SC) Members, the O&SC Members report is included within this report at Appendix F - it should be noted that this report is being presented to Cabinet by the Group Chief Executive for the reasons set out in the Group Chief Executive's Report which precedes the O&SC Report at Appendix F. The Local Authority Chief Executives, Tees Valley Management Group and Tees Valley Directors of Resources have scrutinised the proposed Budget.

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

- Expenditure on the Mayors General Functions; and
- Expenditure on Combined Authority Functions.

This report includes the high-level financial allocations within the Investment Plan and provides the final budget for 2024-25. There are no expenditure items on the Mayors General Functions within this paper.

RECOMMENDATION

It is recommended that the Combined Authority Cabinet:

- i. approves the final Budget for 2024-25.
- ii. Note the pay policy statement 2024-25 (**Appendix G**)

DETAIL

1. This report provides details of the high-level financial allocations within the Investment Plan and provides the final Budget to Cabinet for consideration and approval.

BUDGET SUMMARY

2. There are no changes proposed to the Investment Plan.
3. This report sets out the Budget for 2024-25 and the medium-term financial plan (MTFP) for the period to March 2028. The Budget presents all forecast funding and expenditure for the plan period.
4. There is no expenditure relating to Mayors General Functions and no precepts are proposed in relation to this. All expenditure is designated at relating to Combined Authority Functions.
5. For the MTFP period the Authority forecasts to spend a total of £885.2 m. During the period the Authority will have a total of £785.2 m available funding resources. This comprises £683.0 m funding to be received in the period and £102.2 m of borrowing. In addition to this the Authority will utilise £100.0 m of usable reserves during the period

Investment Plan

6. This budget does not propose any amendments to the existing allocations within the Investment Plan.

Economic Outlook

7. UK inflation remained high over much of the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.
8. Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.
9. Following the September MPC meeting, Arlingclose, the Authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the

remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

10. Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.
11. Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%.
12. 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.
13. The Authority has been working closely with our treasury management advisors to establish the short- and long-term rate forecasts. This work has enabled various models to be produced with sensitivities conducted to inform a borrowing strategy which has informed the rates built into this budget.
14. Senior management have set parameters for accessing future borrowing to allow the Authority to be agile in reacting to market changes in order to secure the most cost-effective rates.

EXPENDITURE

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

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	73,219	130,541	94,352	84,449	62,000	62,000	506,561
Education, Employment & Skills	45,294	41,678	38,794	38,794	38,604	38,604	241,768
Business Growth	33,459	46,215	4,843	2,949	2,710	3,148	93,324
Culture & Tourism	16,818	18,844	4,952	0	0	0	40,614
Innovation & Clean Growth	28,561	24,387	2,000	0	0	0	54,948
Place	20,645	52,302	24,926	0	0	0	97,873
Investment Plan Total	217,996	313,967	169,867	126,192	103,314	103,752	1,035,088
Concessionary Fares	12,786	12,786	12,786	12,786	12,786	12,786	76,716
Commercial Projects	38,303	2,380	0	0	0	0	40,683
Research & Evaluation	91	100	0	0	0	0	191
Core Running Costs	5,294	5,894	4,794	4,794	4,794	5,304	30,874
Costs of Borrowing	9,388	20,941	24,924	25,229	26,894	27,237	134,613
TOTAL EXPENDITURE	283,858	356,068	212,371	169,001	147,788	149,079	1,318,165

16. As reported during the year as part of the quarterly MTFP updates the Combined Authority have secured various other sources of funding to deliver specific projects and programmes over the period. This has resulted in changes to the total expenditure which have been incorporated into the above table.

Transport

Investment Plan	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	73,219	130,541	94,352	84,449	62,000	62,000	506,561

17. The Tees Valley Strategic Transport Plan (STP) was adopted in January 2020 and provides the framework for investment into transport projects with the aim of providing "a high-quality, quick,

affordable, reliable, low carbon and safe transport network for people and freight to move within, to and from Tees Valley”.

18. Following a year-long bidding process and negotiation with government, the Authority secured £310m of City Region Sustainable Transport Settlement (CRSTS) to deliver a government agreed programme of projects in July 2022. The bid set out how we need to deliver a world-class transport system at pace to underpin our transformative economic growth ambition.
19. The CRSTS1 period concludes in 2026/27, 2 years prior to the end of the Investment Plan period. CRSTS2 indicative allocations for mayoral combined authorities for the period 2027/28 – 2031/32 were announced on the 4th October 2023. The CRSTS2 indicative allocation for TVCA is £978m. The investment plan financials will be updated accordingly when the funding allocations are confirmed.

Transforming the Tees Valley Rail System

20. The transformation of the Tees Valley rail system will provide:
 - a modern ‘metro style’ passenger rail system with an aspiration for a minimum 30-minute service frequency at every station so that passengers can turn up and go; and
 - capacity for freight growth linked to Teesworks and the Freeport.
21. Cabinet has previously approved funding to develop strategic rail infrastructure projects that will unlock network capacity, and this forms a significant element of the Integrated Transport Plan. A total of £144m (of which £119m is within the period covered by this report) has been earmarked as TVCA’s contribution to transforming the rail network. Including projects to improve capacity at Darlington, Middlesbrough and Hartlepool stations, for freight and for other projects to improve accessibility and the passenger experience. This sum is expected to leverage £150m of additional funding.
22. The Darlington Station Final Business Case (FBC) was approved in Q3 of 2022, with enabling works taking place from early 2023. Main construction for the new multi-storey car park and station building began in May 2023, following completion of the new temporary car park and closure of the old facility. Progress is being made on the TVCA-led works, which will be completed by early 2025. The overall Darlington Station project, including the works being delivered by Network Rail, will complete in summer 2025.
23. Phase 1 of the Middlesbrough Station project, the extension of platform 2, started in December 2020 and completed in May 2021. This enabled the initial 1 train per day Middlesbrough to London service to commence in December 2021. The station undercroft redevelopment project is being delivered by Network Rail with a funding contribution being provided by TVCA. The project, which will create a new station entrance and two new business units, will be completed in early 2024. Development work has progressed on phase 3 of the project, which aims to increase station capacity for new services by improving the track and signalling infrastructure and building a new platform. Discussions are taking place with DfT around the development of a full Business Case for this project for submission early next year.
24. The Hartlepool Station project will see the reinstatement of a second through platform to improve capacity and resilience on the Durham Coast Line, facilitating future growth in services. Funded by TVCA and being delivered by Network Rail, the project is currently in the later stages of construction and has commenced regulatory approval processes. Following completion, a new semi-fast, limited stop train service between Middlesbrough and Newcastle will be introduced by Northern, speeding up journey times between the major towns and cities and providing much needed additional capacity on the line.

25. The Eaglescliffe Station project will provide a new fully accessible pedestrian footbridge. This will provide a connection between the existing eastern car park, the island station platform and the new western car park to be built by Stockton Borough Council. Also resulting in improved access to the industrial estate and nearby new residential development. The full business case for the TVCA sponsored footbridge improvements is currently being finalised with Network Rail and the main contractor BAM Nutall, with planning for works to start in early 2024. Work on the Stockton Borough Council-led highway improvements and access road have started, with work on the car park expected to commence in spring 2024.
26. Development work is continuing on a number of other rail projects, which contribute to the objectives set out above.

Ensuring the Key Route Network can facilitate sustainable growth.

27. The Key Route Network (KRN) is made up of the most important roads for growth and productivity. The KRN accounts for 22% of the total road network in Tees Valley. There are specific locations that are already at capacity or are forecast to be over capacity by 2025. The consequence of taking no action will be a significant increase in congestion, which will negatively impact upon journey times, reliability, and air quality, and threaten the economic transformation of the region.
28. The A19 New Tees Crossing OBC has been updated by National Highways and is being considered by Government as part of the third Road Investment Strategy (RIS3), which covers the period 2025-2030. TVCA has repeatedly emphasised the importance of the scheme for wider priorities, specifically Teesworks and the Freeport. The next phase of work would be a commitment to develop an FBC for the scheme.
29. The A689 Corridor improvements scheme was not supported by government as they decided the scheme did not offer value for money. This assertion was robustly challenged by TVCA.
30. TVCA are considering the CRSTS allocation and the Key Route Network will be looked at as part of this.

A shared commitment with the operators to transform Tees Valley bus services and grow passenger numbers.

31. TVCA, the local authorities and the regional bus operators work collaboratively through the Enhanced Partnership to deliver the Bus Service Improvement Plan (BSIP).
32. The BSIP is focussed on five ambitions, which are:
- Sustainable network for the future – a collaborative approach to establish a network focused on commercial services and emerging commercial services, which will require short-term financial support (subject to securing revenue funding);
 - Bus priority improvements – new infrastructure and digital investment to prioritise bus on core corridors and improve customer experience;
 - Improved fare offer – simpler fares, a new offer for young people (subject to securing revenue funding) and targeted promotions to drive growth;
 - Enhanced customer experience – putting the needs of customers at the heart of service delivery and improving information provision with one brand identity; and
 - Decarbonising the bus fleet – one of the first regions in the UK to have an entirely zero emission local bus fleet.

33. TVCA was allocated £1.5m of BSIP+ funding for 2023/24. Working collectively with all local authorities, TVCA has already utilised some of the funding to intervene on several of the service withdrawals made by Arriva. The second phase of work will involve 'kick-starting' a package of service enhancements where there is the potential for them to become commercial over time. Procurement of the services is ongoing with an expectation that they start in early 2024. TVCA has an allocation of £1.5m of BSIP+ funding, and £3.85m of BSIP funding for 2024/25 and further DfT guidance is awaited.

Making Cycling & Walking the natural choice for shorter journeys

34. TVCA has an approved Local Cycling and Walking Infrastructure Plan (LCWIP) setting out a long-term approach to developing a comprehensive Tees Valley cycling and walking network. The LCWIP has received positive feedback from Government. The plan is underpinned by analysis, which identifies the priorities for investment, with a focus on corridors where there is the greatest potential to encourage people to walk or cycle to work, school or to access essential services.
35. The package is complemented by a programme of activity delivered through five active travel hubs to encourage cycling and walking. This includes personalised advice, training, better information, and positive incentive programmes.
36. TVCA is working alongside local authorities to deliver the programme, with several schemes complete and many at an advanced stage of development.
37. TVCA has successfully secured additional money from the Active Travel Fund, Levelling Up Fund and the Capability and Ambition Fund to support delivery of the programme.

Ensuring everyone can access opportunity

38. The Tees Valley Wheels 2 Work scheme continues to provide a subsidised transport solution for those with no access to a private vehicle or public transport. The fleet is now all electric and includes electric motorbikes and electric bikes. The scheme takes referrals from Job Centre Plus, but any individual can apply, and is being widely publicised to raise awareness.
39. The Tees Flex on-demand bus service has been extended through to August 2024.
40. TVCA are considering the CRSTS allocation and access opportunities will be looked at as part of this.

Positioning the Tees Valley at the forefront of decarbonising transport

41. TVCA is working alongside the DfT to deliver hydrogen refuelling infrastructure, long-term trials, and research activity through the Hydrogen Transport Hub. The DfT has committed £20m to support this activity and several projects have been awarded funding following a competition.
42. One project, led by ULEMCo, will be based at Teesside International Airport. This will develop hydrogen-powered airport ground-based support vehicles, such as tow trucks for aeroplanes and sweepers to clean runways. Another project, led by Element 2, will create new hydrogen refuelling stations, including a permanent station at the airport, which will be used to fuel a range of vehicles, such as airside vehicles, heavy goods vehicles and supermarket delivery trucks.

- 43. TVCA is also committed to delivering a step-change in the provision of electric vehicle charging infrastructure. Installation is complete on the initial roll-out, focused on publicly accessible car parks.
- 44. Government’s Local Electric Vehicle Infrastructure (LEVI) fund aims to deliver a step-change in the scale of deployment of local, primarily low power, on-street EV charging infrastructure across England, and accelerate the commercialisation of, and investment in, the local charging infrastructure sector. Residents without off street parking are the primary focus of the LEVI fund.
- 45. The funding has been split across two tranches and, following an expression of interest process, TVCA has been invited to submit a full application to be submitted by 30th November 2023, with funding granted by 31st March 2024. The date for delivery of the EV charging infrastructure to be funded from the LEVI fund has yet to be confirmed and will be incorporated into the Investment Plan once confirmation is received. TVCA has worked alongside the five Local Authorities to develop the LEVI application.

Putting Tees Valley at the heart of the digital transport revolution

- 46. TVCA is delivering a wide-ranging package of digital infrastructure and services to accelerate our ambition for a digitally enabled transport system across the region. The package includes:
 - Managing and optimising the highway network using the Urban Traffic Management & Control (UTMC) system. The system facilitates faster and safer traffic flows across the region and the technology can change traffic lights, improve traffic flows, support the emergency services and collect data to improve urban planning
 - Interventions to encourage, support and incentivise people to use active travel and public transport
 - Interventions to collate and provide data on multi-modal journeys, real time movement and occupancy data to enable customers to make informed travel choices.

Teesside Airport

- 47. The Airport continues to perform in line with the revised Business plan presented to Cabinet in July 2022 and this will continue to be closely monitored.

Education, Employment & Skills

Investment Plan	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	45,294	41,678	38,794	38,794	38,604	38,604	241,768

- 48. The Investment Plan includes a range of externally sourced and devolved funding streams. This includes new sources of funding, including UK Shared Prosperity Funding and existing streams, including the devolved Adult Skills funding and Careers Education. The Multiply programme is an integral part of UKSPF and provides numeracy support for Tees Valley residents that will assist in raising skills levels, improving their access to and progression in work.
- 49. Adult Education functions continue to be devolved and Cabinet annually approves the funding awards to appropriate Training Providers from the public, private and voluntary sectors.

50. The devolved funding enables a more flexible and responsive approach to awarding funding for skills development, this better addresses business skills needs while supporting more people to access work, especially new job opportunities being created across Tees Valley.

Business Growth

Investment Plan	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	33,459	46,215	4,843	2,949	2,710	3,148	93,324

Infrastructure Projects

51. The £20m 'Welcome to Redcar & Cleveland' Programme has been developed to promote area regeneration in support of economic growth in the tourism and visitor economy of R&C and the wider Tees Valley. Prior to the periods included in this report £15.3m had been incurred on delivery, with the remaining £4.7m to be incurred during 2023-25 period. The range of projects within the programme will act as a key catalyst to promote and attract a sustainable visitor economy as part of its wider place-based regeneration plans for the borough, in line with national policy.
52. Stockton's allocation of £20m, £14.8m within this report, will be used to deliver the vision for Stockton Town Centre. The vision is to create a vibrant, modern town centre by building on past investment to provide a sustainable retail offer that safeguards the traditional function of the High Street. This is alongside creating a space that enables diversification of uses through a combination of public and private investment. It aims to capitalise on the River Tees as a significant natural asset and create investor confidence through increased footfall and new uses.
53. In December 2022 the Authority secured £15m from DLHUC, from which an indicative allocation of £7m was made for business infrastructure subject to final business case completion. The Business case has now been completed and as a result £3m has been reallocated to the project from the £15m allocation.

Business Support Programme

54. Tees Valley's Business Support Offer is continuing to support businesses via the website, email portal, telephone and directly through business solutions advisors. In the year to date, the service has supported 1,101 businesses and demand for business support services and advice remains strong, particularly with the difficult economic climate.
55. The business support approach in TVCA will continue to provide responsive and direct support to business enquiries. However, through the development of the new Business Solutions-led approach, there will be a greater focus upon being more proactive in engaging with businesses to establish what support they need. This will help develop bespoke and responsive solutions to assist them to start-up, grow and thrive.

- 56. The UK Shared Prosperity Funding for Business Support has been developed and just over £5.6m has been awarded to provide support for Net Zero, Digital, Access to Finance and Supply Chain development.
- 57. A further £5.5m will be allocated to additional projects to commence delivery from April 2024. This will support innovative and pilot projects that directly support Tees Valley businesses and create a more flexible approach to accessing support that fits their needs.
- 58. The Tees Valley Large Capital Grant scheme has defrayed £6.7m to date against private sector capital investments in excess of £28m supporting the creation and safeguarding of more than 900 jobs. The pipeline of applications currently being processed is strong. It is forecast that the funds will be fully defrayed against private sector investments by 2026.

Creative Place

Investment Plan	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	16,818	18,844	4,952	0	0	0	40,614

- 59. The Investment Plan allocation for our Culture & Tourism Programme is £20m, of which £16.2m is within the period contained in this report. Of this, £11.1m is sourced from the UKSPF allocation for 'Communities & Place'. In June 2022 a programme Business Case was approved which set out the objectives, outputs and impacts of the Growth Programme for the Creative & Visitor Economies. Committed and intended investment through the four Programme pillars is described below.

Sector Growth & Sustainability

- 60. Baseline analysis of Tees Valley's creative cluster identified that interventions were required to stimulate network development and collaboration; support the development and progression of sector skills and talent; enable the development of IP and support innovative practice; and build resilience and capacity within sector businesses. Investment made through the Sector Growth & Sustainability pillar of the programme has sought to address these barriers to growth.
- 61. Most projects supported through the Sector Growth & Sustainability pillar of the Growth Programme are multi-year projects due to conclude in 2025/26. In 2024/25, focus will be directed to key areas where meaningful interventions have not yet been made, including local music industry development, a new strategy for supporting visual arts, and activity to support a sustainable increase in region-made content and creative products.

Festivals and Events

- 62. Investment through this pillar aims to balance the development of Tees Valley's indigenous festival ecosystem with attraction of high-profile national event brands which shine a spotlight on the region and galvanise interest from visitor markets.

Destination Product Development

63. Through this pillar of the programme, in 2024/25 we will invest in interventions which strengthen the proposition of the region as a visitor destination. Significant preliminary work has taken place to inform the activity which will be delivered with intended emphasis on heritage, walking, cycling and food.

Profile Raising

64. This programme pillar is focused on destination marketing (through the Visit Tees Valley destination platforms); raising awareness of the strengths and achievements of the region's creative and visitor sectors; and building the proposition of the region as a location for business tourism (conferences, events etc).

Infrastructure Projects

65. An Investment Plan allocation of £20m (£9.4m in the period covered by this report) has been provided for Darlington Council's priority project, a major capital scheme which will establish a Railway Heritage Quarter. This will be based around the "Head of Steam" museum on North Road/Station Road, north of Darlington town centre. The aim is for the Railway Heritage Quarter to become a major visitor attraction and museum by 2024, becoming a central part of the bi-centenary celebrations of the birth of the Stockton & Darlington Railway in 2025.
66. The £20m Hartlepool Waterfront project (£15m in the period covered by this report) will create a 'destination' at the waterfront, encouraging growth in visitor numbers to regenerate the place via the tourism / leisure / culture offer. The Project will work with the National Museum of the Royal Navy to expand the exhibition space while leisure facilities will be constructed along with external event space and improved public realm.

Innovation and Clean Growth

Investment Plan	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	28,561	24,387	2,000	0	0	0	54,948

67. Our £19m innovation programme, approved in January 2020 is focused on supporting the key sector areas identified in the SEP, namely, bio science, digital, advanced engineering, and clean growth. The programme has several linked activities to provide the cornerstones for growth in these sectors, as well as funding for key industrial networks helping develop the wider supply chains. Further support for these networks is being developed for partnership and direct delivery as part of TVCA's UK Shared Prosperity Fund Programme.
68. Key projects include support for a bioscience incubator at central park in Darlington; the Net Zero Industry Innovation Centre being developed at Teesside University; facilities to support hydrogen and offshore engineering innovation at TWI, support for future digital research projects, including a new research centre at Teesside University, and the new Centre for Digital Trade and Innovation in partnership with The International Chamber of Commerce.

69. The programme is leveraging national funds wherever possible to maximise its impact. The region has been selected to participate in the Innovate UK launch pad programme, which will see £7.5m invested in stimulating innovation activity focusing on clean growth. TVCA also secured £150,000 from Innovate UK for Cluster Coordination to support delivery of the Launchpad programme in the region and promote engagement with funded projects and other innovation companies.
70. TVCA has invested £2m in CPI to help develop its novel foods innovation activities and which will bid into central government for further funding. We have supported The Materials processing Institute to secure over £20m of funding for their work on the transition to a net zero economy. The region has been successful in bringing the DfT’s hydrogen Transport Hub to the region with more than £20m of hydrogen related infrastructure and trials.
71. TVCA, through the Net Zero Hub, is delivering a series of Housing Retrofit schemes within Tees Valley and the wider North East and Yorkshire Net Zero Geography. This is alongside a Social Housing Decarbonisation Fund (SHDF) £33.6m and a £3.2m Home Upgrade Grant scheme. The smaller schemes will be completed by December 2023, and SHDF will conclude in March 2025.
72. TVCA has secured £305,000 from the Woodland Creation Accelerator fund to support the region’s five local authorities in their woodland related ambitions and its own agenda for strategic level nature-led Net Zero activity. This funding was supplemented by £82,000 from the Net Zero Hub to create the Trees on Tees initiative.
73. The Hub has secured additional funding of £1.1m for its core activities until September 2024 and indicative funding up to March 2025, in addition to its total core funding to £4.1 m 2018 to date.

Place

Investment Plan	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	20,645	52,302	24,926	0	0	0	97,873

74. Over ten years a total of £60m (£4323m in the reporting period) has been allocated to create the Indigenous Growth Fund (IGF). Each of the five boroughs that make up Tees Valley has distinct economic assets and opportunities, and it is essential that we can unlock these opportunities for residents.
75. A programme Business Case has been developed and approved for the fund. The constituent authorities are currently bringing forward proposals to call off funding from the programme.
76. Six projects have been approved for funding, committing £38.8m (65%). These include:
- Supporting the acquisition of key assets in Stockton & Darlington as part of the wider Town Centre redevelopments
 - Darlington Railway Heritage Quarter
 - High street support schemes within Redcar
 - Kirkleatham Walled Garden & Catering Academy (completed)
 - Boho 8 & X in Middlesbrough (completed)

77. Projects currently in appraisal will commit a further £7.3m. Projects include:
- Redcar & Cleveland – Town Centre improvements around Loftus
 - Middlesbrough – Southlands Housing enablement
 - Darlington – the refurbishment of Market Hall will support the wider programme of works under their Towns Deal.
78. Pipeline projects are currently being developed considered to commit the remaining balance of the IGF.
79. The Authority has secured a total of £26.7m of Brownfield Housing Funding, £15.5m in the period covered by this report. The programme fund must be fully defrayed by March 2025. There have been delays to a number of the projects due to factors including the impact of Nutrient Neutrality on securing planning approvals, supply chain issues and a significant increase in inflation and costs of materials. In order to deliver the programme a review has taken place of the pipeline which has resulted in funds being earmarked for the Gresham redevelopment.
80. An allocation of £20m to support the new Mayoral Development Corporations (MDCs) in Hartlepool and Middlesbrough was approved by Cabinet in July 2022. The Corporations are progressing masterplans and evaluating a number of development propositions which will be appraised and reported to the relevant boards for approval.
81. Alongside this the Authority secured an indicative allocation of £8m subject to business case development for the redevelopment of Gresham in Middlesbrough from DLHUC in December 2022 as part of an overall £15m allocation. As a result of the Brownfield Housing funds now being made available for Gresham, £3m of this indicative allocation is not required and has been reallocated to the Business Support theme.
82. An allocation of £10m has been made for other place-based investments in non-Mayoral Development Corporation areas. From this allocation, £6m is ring fenced for projects to drive the economic development of Billingham for which a Business Case is currently being developed. Darlington Council is bringing forward place-based proposals for the remaining £4m.

Expenditure outside the Investment Plan

Concessionary Fares

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	12,786	12,786	12,786	12,786	12,786	12,786	76,716

83. The English National Concessionary Travel Scheme (ENCTS) budget for 2023/24 is £12.8m. The budget for future years has been based on the current value, however this is subject to change based on future negotiations.

Commercial Projects

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	38,303	2,380	0	0	0	0	40,683

84. The commercial projects section of the MTFP contains projects which have been invested in via either a commercial loan or with returns on investment. The projects currently within this section are: -

- Southside Development at Teesside International Airport
- Tees Valley Waste project loan to the constituent Local Authorities, in respect of procurement costs that will begin to be recovered once the project is live
- The development of the South Bank Quay to enable offshore wind which will see returns from proceeds of usage of the Quay

Research and Evaluation

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	91	100	0	0	0	0	191

85. 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 carried out by SQW.

CORE COSTS

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.

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core costs	5,294	5,894	4,794	4,794	4,794	5,304	30,874

86. The table below sets out the core costs budget for 2024/25 and the previously agreed budget for 2023/24. It is proposed that any inflationary cost pressures will be managed within the current budget envelope.

Core costs	2023/24	2024/25
Salaries (incl Ni & Pension)	4,281,236	4,281,236
Other Staffing Costs	15,000	15,000
Total Staff Costs	4,296,236	4,296,236
Premises	335,000	335,000
General Running Costs	502,967	502,967
Marketing & Communications	160,000	160,000
Non-Salary Expenditure	997,967	997,967
Election Costs	0	600,000
TOTAL EXPENDITURE	5,294,203	5,894,203

Cost of Borrowing

87. 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 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.
88. 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.
89. A borrowing strategy has been developed which includes a range of maturities, short and long term, with ability to refinance built in. These are all driven from the latest interest rate forecasts from Arlingclose which are set out in the table below.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.38	4.50	4.50	4.40	4.25	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.27	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.67	4.65	4.60	4.55	4.45	4.35	4.25	4.20	4.20	4.20	4.20	4.20	4.20
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.25	4.25	4.20	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%; PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

90. 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. The latest borrowing requirements and repayments are set out in **Appendix 2**.

FUNDING

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

Funding	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	283,858	356,068	212,371	169,001	147,788	149,079	1,318,165

Funding Source	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000ap
Devolution	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Enterprise Zones	2,900	5,882	6,036	6,348	6,348	6,348	33,862
Transforming Cities Fund / CRSTS	62,437	62,436	62,436	62,436	62,000	62,000	373,745

Loan Repayments & Investment returns	8,305	12,659	9,206	7,733	9,346	9,660	56,909
Government Grants	62,203	82,452	21,144	7,565	7,135	7,555	188,054
Adult Education Budget / Level 3	34,429	35,179	35,179	35,179	35,178	35,179	210,323
Concessionary Fares	12,786	12,786	12,786	12,786	12,786	12,786	76,716
Borrowing	81,493	74,096	28,096	0	0	0	183,685
Movement -to / from reserves	4,305	55,578	22,488	21,954	-5	551	104,871
Total	283,858	356,068	212,371	169,001	147,788	149,079	1,318,165

Devolution

92. Funding of £15m per year for 30 years was agreed as part of the devolution agreement with government. This funding is subject to a five-year review which was successfully achieved in 2021. For the purpose of the budget plan period it is assumed that this level of funding will continue beyond each of the five-year review points.

Enterprise Zones

93. The Combined Authority retains business rate funding from a number of designated enterprise zones. As the zones continue to attract more business the funding generated is forecast to increase.
94. The current projections for the investment plan period are based on rates that are currently being collected, together with known projects currently under construction. Business rates from future potential projects on the Enterprise Zones are not accounted for in the forecasts but will be kept under review.

Transforming Cities Fund & City Region Sustainable Transport Settlement

95. The Transforming Cities Fund was announced by Government in the 2017 Budget to transform local public transport. The fund gives the Combined Authority freedom to invest on strategic transport priorities such as rail, bus rapid transit, cycling or other public and sustainable transport improvements.
96. The City Region Sustainable Transport Settlement (CRSTS) is the successor to the Transforming Cities Fund and has seen the annual average funding increase from £15.1m to £62m following a successful bid to DfT. The Authority has been awarded £310m to invest in local transport networks to improve the quality of local transport networks over a five-year period which commenced in 2022/23.
97. The CRSTS1 period concludes in 2026/27, 2 years prior to the end of the Investment Plan period. CRSTS2 indicative allocations for mayoral combined authorities for the period 2027/28 – 2031/32 were announced on the 4th October 2023. The CRSTS2 indicative allocation for TVCA is £978m. The investment plan financials will be updated accordingly when the funding allocations are confirmed.

Loan Repayments & Investment Returns

98. A number of Combined Authority investments are made on a recoverable and/or commercial basis. The returns from these investments, including those from Group entities, have been reviewed thoroughly and it is estimated that £57m will be repaid during the period including interest. These returns will be kept under constant review taking account of all internal and external economic factors.

Government Grants

99. The Combined Authority receives a number of other grants from Central Government which can be either awarded for specific purposes following an application process or where is awarded with fully devolved discretion regarding expenditure. This allocation includes secured grants of UKSPF £40.4m, Levelling Up Fund £17.8m, Transport Development Fund £10.7m, Brownfield Housing £7.8m, Local Energy Advice Demonstration £4.4m, Bus Service Improvement Plan £3.1m, along with a number of other specific project grants.
100. Current estimates are based on secured grants and some assumptions regarding the continuation of current funding. We remain in constant discussions with Government to ensure we secure the maximum funding possible to achieve our priorities set out in the Strategic Economic Plan. Based on current secured income the budget is fully funded for 2024/25.

Adult Education Budget

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

Concessionary Fares Funding

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

RESERVES

103. The Combined Authority holds two classifications of usable reserves these are non-ring-fenced funds which have been received but not yet applied against expenditure and the General Balance Reserve. The Combined Authority manages overall resource requirements by reference to the MTFP and overall Investment Plan.
104. At April 2023 the balance of usable reserves was £106.0m which is forecast to reduce through drawdowns by £4.3m in 2023/24 leaving a balance at April 2024 of £101.7m of available funds held in reserve, and it is forecast that this will reduce by £100.0m over the MTFP period.
105. 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 currently stands at £1.058m.

106. As agreed in the 2019/20 Budget we consider that the appropriate way of calculating a general reserve level is to take the average of the risk-based revenue that we expect to receive over the period of the MTFP and hold a proportion of this in the General Reserve. This calculation has resulted in a requirement of £0.4m, however management has decided to not amend this from the current reserve of £1.058m.

DEVOLUTION DEAL FORWARD FUNDING

107. As part of the devolution deal Government agreed to provide the Combined Authority with a devolved fund of £450m. Although this funding is released by Government on an annual basis of £15m per year for 30 years the aim was that Mayoral Combined Authorities could use this funding stream to forward fund through prudential borrowing. The original approval to access borrowing was approved as part of the previous investment plan and this report reaffirms the borrowing requirement.

108. Within the Investment Plan there is still flexibility to fund immediate requirements that are not funded by Central Government and generally these are funded from within agreed allocations. Any such amendments require the unanimous approval of Cabinet in line with the constitution. The level of borrowing and the amount of headroom available following these and other allocations are reviewed by Cabinet annually as part of the Investment Plan and review of the Medium-Term Financial Plan.

109. Devolution funding is evaluation every five years which leads to the release of the next tranche of five-year funding from Central Government. The first of the five-year review periods was 31 March 2021, which was successfully completed.

BORROWING

110. In addition to forward funding from devolution funds to deliver the Investment Plan the Combined Authority also has borrowing requirements to fund commercial investment propositions. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy.

111. 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, details of this "internal borrowing" can be found at **Appendix D**.

112. Within the MTFP period the total CFR to deliver the Investment Plan and fund commercial projects is £102m as part of a wider borrowing requirement of £450m over the Investment Plan Period of 2019 to 2029, details of which can be found at **Appendix D**. This is well within the Government agreed borrowing caps of £1,000m.

113. 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 2024-28

114. Funding and expenditure for the plan period, including the final 2024/25 budget 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.

FINANCIAL IMPLICATIONS

115. 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

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

RISK ASSESSMENT

117. This Budget Report has been categorised as medium risk to reflect the updated work on the implementation of our group risk management strategy. The group corporate risk register has been updated to reflect funding uncertainty from Government. The existing management systems and daily routine activities are sufficient to control and reduce risk.

118. The risk of increased costs through economic factors is closely monitored and is being managed through the revised borrowing strategy put in place. A robust business case development process reduces the risk of cost pressures of investments by ensuring sufficient contingencies are built in resulting in no additional asks of Authority funds.

CONSULTATION

119. Formal consultation will be undertaken in the period 11th December to 9th January. This is in addition to circulation of this report to Local Authority Directors of Finance, Tees Valley Management Group and Chief Executives.

Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources

Medium Term Financial Plan 2024-28

MEDIUM TERM FINANCIAL PLAN	2024/25	2025/26	2026/27	2027/28	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	226,394	161,787	147,047	147,793	683,021
Borrowing	74,096	28,096	0	0	102,192
TOTAL FUNDING	300,490	189,883	147,047	147,793	785,211
Investment Plan	313,967	169,867	126,192	103,314	713,340
Concessionary Fares	12,786	12,786	12,786	12,786	51,144
Commercial Projects	2,380	0	0	0	2,380
Research & Evaluation	100	0	0	0	100
Core Running Costs	5,894	4,794	4,794	4,794	20,276
Costs of Borrowing	20,941	24,924	25,229	26,894	97,988
TOTAL EXPENDITURE	356,068	212,371	169,001	147,788	885,228
TRANSFER TO / FROM RESERVES	-55,578	-22,488	-21,954	5	-100,015
Reserves Opening Balance	101,695	46,117	23,629	1,675	
Transfer To / From Reserves	-55,578	-22,488	-21,954	5	
Reserves Closing Balance	46,117	23,629	1,675	1,680	

Capital Medium Term Financial Plan 2024-28

CAPITAL MEDIUM TERM FINANCIAL PLAN	2024/25	2025/26	2026/27	2027/28	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	109,712	72,306	62,381	62,000	306,399
RCCO	3,944	0	0	0	3,944
Borrowing	74,096	28,096	0	0	102,192
TOTAL FUNDING	187,752	100,402	62,381	62,000	412,535
Investment Plan	239,725	118,679	84,448	62,000	504,852
Commercial Projects	2,380	0	0	0	2,380
TOTAL EXPENDITURE	242,105	118,679	84,448	62,000	507,232
TRANSFER TO / FROM RESERVES	-54,353	-18,277	-22,067	0	-94,697
Capital Reserves Opening Balance	94,697	40,344	22,067	0	
Transfer To / From Reserves	-54,353	-18,277	-22,067	0	
Reserves Closing Balance	40,344	22,067	0	0	

Revenue Medium Term Financial Plan 2024-28

REVENUE MEDIUM TERM FINANCIAL PLAN	2024/25	2025/26	2026/27	2027/28	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	116,682	89,481	84,666	85,793	376,622
RCCO	-3,944	0	0	0	-3,944
TOTAL FUNDING	112,738	89,481	84,666	85,791	372,678
Investment Plan	74,242	51,188	41,744	41,314	208,488
Concessionary Fares	12,786	12,786	12,786	12,786	51,144
Research & Evaluation	100	0	0	0	100
Core Running Costs	5,894	4,794	4,794	4,794	20,276
Costs of Borrowing	20,941	24,924	25,229	26,894	97,988
TOTAL EXPENDITURE	113,963	93,692	84,553	85,788	377,996
TRANSFER TO / FROM RESERVES	-1,225	-4,211	113	5	-5,318
Revenue Reserves Opening Balance	6,998	5,773	1,562	1,675	
Transfer To / From Reserves	-1,225	-4,211	113	5	
Reserves Closing Balance	5,773	1,562	1,675	1,680	

Borrowing

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	81,493	74,096	28,096	0	0	0	183,685
				MTFP PERIOD		102,192	

	Bal c/f	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	266,715	81,493	74,096	28,096	0	0	0	450,400
Internal Borrowing	55,015	-8,507	-17,986	-18,522	-10,000	0	0	0
External Borrowing	211,700	90,000	92,082	46,618	10,000	0	0	450,400

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Minimum Revenue Provision	4,374	7,163	9,042	10,095	10,452	10,822	51,948
Loan Interest	5,014	13,778	15,882	15,134	16,442	16,415	82,665
				MTFP PERIOD		97,988	

Investment Plan Projects & Programmes

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Access to Opportunities	426	3,530	56	0	0	0	4,012
Active Travel Programme	4,443	38,096	22,013	15,005	0	0	79,557
Bus Programme	2,850	3,992	22,786	21,605	0	0	51,233
Decarbonisation Programme	999	1,032	1,060	0	0	0	3,091
Digital	1,714	2,902	5,192	2,000	0	0	11,808
Local Highways Funding	18,675	19,686	16,578	16,578	0	0	71,517
Place Based Transport Investment	326	8,243	10,457	13,000	0	0	32,026
Rail Programme	35,505	50,560	16,210	16,261	0	0	118,536
Teesside Airport	8,281	2,500	0	0	0	0	10,781
CRSTS 2 Programme TBC	0	0	0	0	62,000	62,000	124,000
Transport Total	73,219	130,541	94,352	84,449	62,000	62,000	506,561
Careers Support	411	145	0	0	0	0	556
Skills Capital	0	667	0	0	0	0	667
Support for Business	1,347	190	190	190	0	0	1,917
Support for Individuals	41,865	37,347	35,179	35,179	35,179	35,179	219,928
UKSPF People & Skills Programme	1,671	3,329	0	0	0	0	5,000
UKSPF People & Skills Programme TBC	0	0	3,425	3,425	3,425	3,425	13,700
EES Total	45,294	41,678	38,794	38,794	38,604	38,604	241,768
Boho "The Digital City"	902	0	0	0	0	0	902
Business Infrastructure Projects	12,010	7,972	0	0	0	0	19,982
Business Support Programmes	15,792	19,269	4,843	2,949	2,710	3,148	48,711
STDC Projects	1,197	3,000	0	0	0	0	4,197
Stockton High Street	1,348	13,477	0	0	0	0	14,825
Welcome to Redcar & Cleveland	2,210	2,497	0	0	0	0	4,707
Business Growth Total	33,459	46,215	4,843	2,949	2,710	3,148	93,324
Culture & Tourism Programme	3,809	7,426	4,952	0	0	0	16,187
Hartlepool Waterfront (incl NMRN)	3,619	11,418	0	0	0	0	15,037
Darlington Railway Heritage	9,390	0	0	0	0	0	9,390
Culture Total	16,818	18,844	4,952	0	0	0	40,614
Housing Retrofit	19,353	18,660	0	0	0	0	38,013
Innovation Capital Infrastructure	2,363	2,941	2,000	0	0	0	7,304
Net Zero Hub Activity	5,902	2,170	0	0	0	0	8,072
Network Support Programme	943	616	0	0	0	0	1,559

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Innovation & Clean Growth Total	28,561	24,387	2,000	0	0	0	54,948
Brownfield Housing	3,436	12,102	0	0	0	0	15,538
Car Parking	36	0	0	0	0	0	36
Indigenous Growth Programme	14,740	24,300	4,200	0	0	0	43,240
UKSPF Communities & Place	1,233	2,100	0	0	0	0	3,333
Place Based Investment Fund	1,200	13,800	20,726	0	0	0	35,726
Place Total	20,645	52,302	24,926	0	0	0	97,873
INVESTMENT PLAN TOTAL	217,996	313,967	169,867	126,192	103,314	103,752	1,035,088

REPORT OF GROUP CHIEF EXECUTIVE

OVERVIEW AND SCRUTINY COMMITTEE BUDGET CONSULTATION

26 JANUARY 2023

OVERVIEW & SCRUTINY BUDGET CONSULTATION

SUMMARY

1. Tees Valley Combined Authority (TVCA) is required to set a budget on an annual basis and undertake public consultation before the budget proposals are submitted to Cabinet for approval.
2. The Overview and Scrutiny Committee has previously established the practice of convening a Finance and Resources Sub-Committee to scrutinise the budget and conduct an analysis of the draft budget documents submitted to Cabinet
3. Following its meeting on 11 December 2023, the Overview and Scrutiny Finance & Resources Sub-Committee submitted its Report on the Budget the Overview & Scrutiny Committee which was due to be held on 11 January 2024.
4. The meeting of the Overview & Scrutiny Committee on 11 January 2024 did not meet the quoracy requirements of 10 Members from 4 Local Authorities. Only 8 Members attended, with some of those not attending presenting apologies too late for the meeting to be cancelled. None of those who presented apologies sent their substitute. As such the Statutory Meeting was brought to a close and no decisions were able to be made.
5. This Report sets out the decision of the Group Chief Executive to present the Overview & Scrutiny Committee Report to Cabinet.

RECOMMENDATION

It is recommended that pursuant to Paragraph 19 of Part 2 of the TVCA Constitution, that Cabinet note the content of the draft Overview & Scrutiny Budget Report.

REPORT

1. Following the inquorate meeting of the Overview & Scrutiny Committee due to be held on 11 January 2024 an informal discussion took place between TVCA officers and those Members present regarding the Budget Consultation report which was due to be presented to Cabinet.

2. The Acting Monitoring Officer confirmed that the decision to present the report was that of the Committee and in the absence of a quorate meeting, this could not be achieved.
3. Whilst those Members present were keen for the Budget Report to be presented to Cabinet, they were keen that this be dealt with in accordance with appropriately and pursuant to the TVCA Constitution.
4. Following consultation with the Chair of the Overview & Scrutiny Committee, it was agreed that Members would be informed of the Chief Executive's intention to recommend the Overview & Scrutiny Committee Budget Consultation Report to Cabinet pursuant to Paragraph 19 of Part 2 of the TVCA Constitution.
5. Paragraph 19 of Part 2 of the TVCA Constitution provides:

19. Urgent Decisions

19.1 Without limitation to the above, where a decision needs to be taken urgently and it is not practical to convene a quorate meeting of the Cabinet or relevant committee or subcommittee of the Combined Authority, the Group Chief Executive, in consultation with the Chair (or in their absence the Vice Chair) of the Cabinet or relevant committee or subcommittee, the Group Director of Finance and Resources and the Monitoring Officer, has the authority to take an urgent decision.

19.2 The Monitoring Officer will maintain a record of all 'urgent' decisions and submit a report on these decisions at least annually to the Cabinet. The report will include a summary of the subject matter of the decisions taken.

6. On 11 January 2024, the Acting Monitoring Officer emailed all Members setting out the proposal to utilise Paragraph 19 of Part 2 of the TVCA Constitution in order to recommend the Overview & Scrutiny Budget Report to Cabinet. The email asked Members to confirm by return email should they not agree with the proposed process for referral of the Budget Consultation Report to Cabinet.
7. Of the 12 Members of Overview & Scrutiny Committee emailed, 6 responded to confirm they were content with the proposals – 6 did not respond.
8. Pursuant to Paragraph 19 of Part 2 of the TVCA Constitution, it is the Group Chief Executive's decision to refer the Overview & Scrutiny Committee Budget Report to Cabinet, Cabinet is asked to note that the decision of the Group Chief Executive is only to refer the report to Cabinet. It does not extend to approving the report and Cabinet is reminded that the Overview & Scrutiny Committee could not approve the report as its meeting at which is intended to do so was inquorate.

DRAFT REPORT TO OVERVIEW AND SCRUTINY COMMITTEE

11 JANUARY 2024

BUDGET CONSULTATION

SUMMARY

Tees Valley Combined Authority (TVCA) is required to set a budget on an annual basis and undertake public consultation before the budget proposals are submitted to Cabinet for approval.

The Overview and Scrutiny Committee has previously established the practice of convening a Finance and Resources Sub-Committee to scrutinise the budget and conduct an analysis of the draft budget documents submitted to Cabinet.

This report details the findings of the Finance and Resources Sub-Committee meeting held on 11 December 2023, prior to submitting its final response to Cabinet for consideration on 26 January 2024.

RECOMMENDATION

That the Overview and Scrutiny Committee considers and approves the response from Finance and Resources Sub-Committee arising from its meeting on 11 December 2023, to be submitted to Cabinet for consideration at its meeting on 26 January 2024.

REPORT

1. The Overview and Scrutiny Committee agreed at its meeting on 8 November 2023 to establish a Finance and Resources Sub-Committee to scrutinise the budget and conduct an analysis of the draft budget documents submitted to Cabinet.
2. The Sub-Committee is chaired by Councillor Ian Haszeldine (Darlington Borough Council). The other members of the Sub-Committee are Councillor David Branson (Middlesbrough Council), Councillor Jim Lindridge (Hartlepool Borough Council), Councillor Steven Nelson (Stockton Borough Council) and Councillor Paul Salvin (Redcar and Cleveland Borough Council).
3. The Sub-Committee met to scrutinise the budget for 2023/24 on Monday, 11 December 2023, following publication of the draft budget documents on Thursday, 7 December 2023.
4. The Group Director of Finance and Resources attended the Finance and Resources Sub-Committee meeting to present the draft budget documents and respond to members' questions and comments.
5. Relevant officers also attended the meeting to respond to specific questions and comments.
6. The key points of discussion arising from the Finance and Resources Sub-Committee

meeting held on 11 December 2023 are included below for consideration and approval by Overview Scrutiny Committee. A final response is to be submitted to Cabinet for consideration at its meeting on 26 January 2024.

- Clarification sought about usable reserves. Members were advised that there was a relatively small general reserve budget to undertake core functions and then one consisting of grants received in prior years which were earmarked for larger projects approved by TVCA Cabinet.
- A query about a reduction in expenditure in key areas over future years. It was advised that the budget information showed identified funding and provisional allocations. Some areas required bidding for funding that was not included. Net zero was one example of this.
- A query about whether a change of Mayor at TVCA provided scope for making changes to budget proposals. It was advised that budget proposals were presented to Cabinet and any changes to the Investment Plan required unanimous approval. As part of this there was a consultation process to undertake.
- In response to a query, it was advised that a settlement had been negotiated with local bus operators in relation to concessionary fares ensuring collective agreement with all local authorities across the Tees Valley area.
- Clarification was sought regarding the cost of borrowing and whether the current interest rate was sustainable. It was advised that TVCA had gradually increased the amount it had borrowed. Treasury advisors assisted with tracking movements in the market over the short, medium, and long term against agreed borrowing parameters which allowed TVCA to react quickly to any favourable changes in interest rates.
- Concern that the 30 minutes service frequency (as part of the transformation of the Tees Valley rail system) was aspirational. It was advised that the current investment programme was focussed on creating capacity to operate more trains. Opportunities existed as part of rail devolution to make better use of the current infrastructure.
- Members of the Sub-Committee emphasised the point that the constant use of acronyms in the report was confusing.
- Options for decarbonisation of trains. It was advised that Northern had previously pursued options for decarbonisation, but progress had stalled due to lack of funding. It was also advised that new technology was in place to address issues. There was a need to establish the most effective means of decarbonising the rail network and then to identify ways to fund it.
- Concern that some of the information about Teesside Airport was difficult to find in the report. Members were advised that a business plan for Teesside Airport had been published on the TVCA website, which contained further information. Members emphasised the need to include all key financial information in the report and ensure that it was easy to find.
- It was reported that approximately £34m per year was devolved to the Combined Authority to deliver adult education and skills. The provision was for adults aged 19 and above and the value confirmed on an annual basis. The focus of this funding was to support businesses to address current and future skills

needs, particularly in growth sectors; for example, hydrogen and net zero.

- A request that all members of the Overview and Scrutiny Committee were provided with the medium-term financial strategy on an ongoing basis. It was agreed to provide Members with this information as part of the quarterly reports to Cabinet.
- Members were advised about the types of engagement with businesses to establish levels of support required, particularly in terms of ensuring that businesses remained and invested in the Tees Valley area.
- One Member pointed out that there was a need to develop ways to attract tourists to the Tees Valley area. Also, whether there was potential to invest in tourist information points. It was advised that this had been considered, including the identification of resources required to undertake the work and whether it required development of a physical or digital resources. It was acknowledged that there was more work to be done. Members were advised that there were opportunities for TVCA thematic groups to work in partnership with local authorities to review this area of work and consider different approaches.

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

This pay policy statement applies to the financial year 2024/25.

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
Group Chief Executive	Chief Executive	£180,582
Group Director of Finance & Resources	Director	£125,954
Business Solutions Director	Director	£125,954
Director of Infrastructure	Director	£125,954
Group Chief Legal Officer	SM1	£87,295

4. Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment.
5. The salaries for Chief Officers have been determined through independent analysis and benchmarking and reflect rates which are reasonably sufficient to recruit and retain senior officers, taking into account market conditions. The grades attributable to Chief Officer posts are subject to job evaluation and based on clear salary differentials which reflect the level of responsibility attached to any particular role.
6. Chief Officers do not receive bonus payments or performance related pay nor do they receive any benefits in kind paid for by the employer. Where a Chief Officer meets the criteria for entitlement to expenses these are paid in accordance with the Combined Authority's policies, aligned with those of Stockton-on-Tees Borough Council. Increases in pay for Chief Officers will occur only as a result of:
 - Pay awards agreed by way of national/local collective pay bargaining arrangements;

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

Payments to Chief Officers upon termination of their employment

9. Chief Officers who cease to hold office or be employed by the Combined Authority will receive payments calculated using the same principles as any other member of staff, based on entitlement within their contract of employment, their general terms and conditions, and existing policies. The Combined Authority adopts the policies of Stockton-on-Tees Borough Council, for application in these circumstances.
10. In the case of termination of employment by way of early retirement, redundancy (voluntary or otherwise) or on the grounds of efficiency of the service, the Pensions and Retirement Policy sets out provisions which apply to all staff regardless of their level of seniority. The Pensions and Retirement Policy also sets out the applicable provisions in respect of awarding additional pension entitlement by way of augmentation or otherwise.

Employment of Individuals Already in Receipt of a Local Government Pension

11. 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

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

Remuneration of Lowest Paid Employees

13. 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.

14. As part of the budget setting process for 2024/25 the Combined Authority has adopted the recommendations of the Living Wage Foundation, in respect of directly employed staff. From 1st April 2020, the Combined Authority committed to paying no less than the Real Living Wage, currently £12.00 per hour, and apprentices are paid at this rate accordingly.

Relationship between Chief Officer and Non-Chief Officer Remuneration

15. The 'pay multiple' for the Combined Authority is determined by comparing the pay of the highest paid employee (Chief Executive) against the median average pay, using hourly rates as at 30th December 2023, for employees within the scope of this statement.
16. The Combined Authority's current Median Hourly rate is £21.47 and the pay multiple (the ratio between the highest paid salary and the average salary of the whole of the Combined Authority's workforce) is 4.36.

General Principles Regarding the Remuneration of Staff

17. 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.
18. All employees are recruited in accordance with the Combined Authority's Recruitment Policy and are appointed on the minimum of the grade unless there are exceptional circumstances which would warrant appointment above the minimum of the grade. However, where an employee is redeployed because of redundancy or ill health into a lower graded job they will generally be appointed to the highest spinal column point of the lower grade, where appropriate, with salary protection to minimise the financial loss.

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

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 3