

**AGENDA ITEM 12**

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

**28 MARCH 2017**

**REPORT OF THE  
FINANCE DIRECTOR**

**BUDGET 2017/18 – QUARTER 3**

**SUMMARY**

The purpose of this report is to update members on the financial position of the Combined Authority for the period ending 30<sup>th</sup> September 2017. The report also briefly sets out the current position in relation to the appointment of external auditors for the Combined Authority.

**RECOMMENDATIONS**

It is recommended that the Tees Valley Combined Authority:

- i. Note the position on the Core Budget and General Reserve balance.
- ii. Note the changes and updated Resource position at Appendix A.
- iii. Note the allocations from the Development Fund and remaining balance identified in Appendix B.
- iv. Note the position on SSI Task Force funding.
- v. Note the position on the appointment of external auditors from 2018/19.

## DETAIL

### Core Budget

1. The following table details the budget and projected outturn for the core budget for the quarter ending 31<sup>st</sup> December 2017. The position will continue to be monitored and reviewed during the course of the year.

	<b>Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries Costs	2,691	2,624	(67)
Other Non Staffing Expenditure	959	1,007	48
<b>TOTAL EXPENDITURE</b>	<b>3,650</b>	<b>3,631</b>	<b>(19)</b>
LA Contributions	(250)	(250)	0
Local Enterprise Partnership Grant	(610)	(610)	0
Local Growth Fund	(266)	(266)	0
Contribution from Single Revenue Pot	(2,394)	(2,354)	40
Other Income	(130)	(151)	(21)
<b>TOTAL FUNDING</b>	<b>(3,650)</b>	<b>(3,631)</b>	<b>19</b>
<b>NET EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>0</b>

2. The overall underspend of £19k is mainly due to staff vacancies and reduced support service charges offset by increased cost from new posts. Some of the new posts reflect financial and legal services being undertaken in-house and thus are directly associated with support service cost reductions.
3. Taking account of additional income for financial and communications services to the South Tees Development Corporation, the contribution needed from the single revenue pot will be reduced by £40k.

### Mayoral Election

4. The costs for the Mayoral election have now been finalised from each constituent authority and total £1.083 million, a saving of £73k against budget as a result of efficiency measures taken across the councils.

### Concessionary Fares

5. As the transport authority for the Tees Valley, the Combed Authority is required to pay concessionary fare reimbursements to bus operators which is funded by the Local Authorities. Additional routes have become eligible for concessionary fare payments totalling £50k, these will be covered by surplus reserves on the accounts from previous years.

### Combined Authority Investment Plan

6. Since the quarter 2 budget report in November to Cabinet there have been a number of new / additional scheme approvals which are outlined below.

7. An additional £6.15 million of Combined Authority investment was approved into the £21.84 million TAMP project (on top of £1.5 million of grant funding previously approved), to fund site acquisition, ground remediation and infrastructure works to enable the development of new advanced manufacturing accommodation. Once the Combined Authority borrowing powers are in place they will be used to fund this investment with repayments to be financed from Enterprise Zone business rate income the development will generate.
8. Approval was given to co-invest £3.23 million into Darlington Borough Council's proposal to bring forward the development of new Grade A office accommodation at Feethams in Darlington Town Centre. Cabinet approved the use of the Combined Authority's prudential borrowing powers, once they are in place, to fund the Project, with the repayments to be financed from rental income to be received as a result of the investment
9. An additional £3.66 million of Combined Authority investment has been approved towards the Kirkleatham Walled Garden Project and associated Infrastructure, on top of the original £2.7 million allocated, with a total project cost of £8.18 million. This covers the first two phases of the overall programme to develop the Kirkleatham estate.
10. To enable infrastructure and improvements on the road network an additional £1.7 million has been allocated to Salters Lane / Ingenium Park. Following on from the development the Combined Authority will be paid a percentage share of any receipts from land sales on phase 1 of the project.
11. The Combined Authorities Education, Employment and Skills plan named "Inspiring Our Future" was presented to Cabinet. Within this an investment of £12 million of TVCA funding was identified under the below headings:-
  - Supporting education innovation and collaboration £2 million
  - Developing a skills system for business growth £2 million
  - Addressing long-term unemployment £4.5 million (of which £1.5million had already been committed to match fund the Routes to Work programme)
  - Creating a Tees Valley Careers and Enterprise initiative £3 million
  - Business challenge and workforce planning £1.5 million.
12. £500k was assigned to a project which is linked to the existing TWI Validation Centre on TAMP and the pipeline project for a Nuclear Validation Centre on the same site. It will see Non Destructive Testing (NDT) research operations from the TWI Cambridge site be brought to Tees Valley. This is Phase 1 of the pipeline project for which TWI is currently seeking to secure ERDF.
13. A grant to Port Clarence Logistics of £300k, matched with Private Sector investment of £300k, was awarded to provide essential infrastructure on the site which will benefit a number of businesses in key sectors, help to deliver a number of priorities within the Strategic Economic Plan and support future growth. It will part fund an

Access Road between OSB and Wilton Engineering and Dredging at Port Clarence to allow for deeper vessels to dock.

14. An advanced loan was approved to Hartlepool Borough Council of £300k to fund an urgent building acquisition that forms part of phase 2 of the Innovation Skills Quarter project.
15. A loan of £250k loan was allocated to carry out the final stage feasibility and detailed design work for the proposed Snow Centre at Middlehaven in Middlesbrough.
16. Government announced that additional funding was to be made available from the Pothole Action Fund, and as a result of this the Tees Valley was allocated £488,937 for the current financial year. This funding has been paid over to each of the constituent authorities proportionately.
17. An allocation of £656k was granted to the Centre of Excellence in Technical Training in Hartlepool to bring the former Northern Lights Academy back into use. The core focus being the provision of technical education and learning pathways with specific emphasis on creative industries.
18. The revised resource position incorporating approved schemes and funding is shown in Appendix A.

### **Development Fund**

19. The Development Fund was created to provide upfront investment in feasibility work to ensure that when proposals come forward under the Strategic Economic Plan priorities they are sufficiently developed for decision making and to allocate funding. Additional funding was allocated to the existing Development Fund as part of the Investment Plan refresh. Allocations have been approved under agreed delegation arrangements. The position on funding and approved allocations is shown in Appendix B.
20. When schemes are developed and progress through due diligence the intention is that the Development Fund will be replenished from the funds allocated following the full scheme approval. Since the Qtr2 budget report two projects have successfully progressed to the next stage allowing their development funding to be repaid into the pot, they were South Bank Wharf (£75k) and Hartlepool Innovation Skills Quarter Phase 1b (£233k).

### **Task Force Funding**

21. As reported to Cabinet in July as part of the Budget Outturn Report for last financial year the balance on Task Force Funding was £29.204 million at 31<sup>st</sup> March 2017, of which £56k was returned to Redcar Council for additional safety net fund costs leaving an allocation of £29.148 million.

22. A proposal was put to BEIS in December 2017 to extend the programmes beyond the previously agreed end date and this was approved. Within this proposal we also identified that £500k which was allocated to support the former SSI apprentices complete their apprenticeship was no longer required for that purpose, and requested this was re-allocated into the devolved pot, this was also approved by BEIS.

23. During the first three quarters of £5.152 million has been spent to support both businesses and individuals affected by the closure of SSI as well as provide wider economic benefits for the area. The following table shows the available funds and

	Opening balance 1.4.17 & Adjustments £'000	Qtr 1,2 & 3 Spend 17/18 £'000	Balance at 31.12.17 £'000
Flexible Fund	4,562	1,510	3,052
Apprentices Support	373	220	153
Jobs and Skills Investment Scheme	3,060	1,513	1,547
Start-up advice and start-up grants	800	400	400
Supply Chain	8,418	1,509	6,909
Wider Economic Impact - Redcar Growth Zone	5,000	0	5,000
Devolved Funding Pot	6,935	0	6,935
<b>TOTAL</b>	<b>29,148</b>	<b>5,152</b>	<b>23,996</b>

actual spend to date in 17/18.

## FINANCIAL IMPLICATIONS

24. This report gives an update on performance against the budget for the Combined Authority.

## LEGAL IMPLICATIONS

25. None

## RISK ASSESSMENT

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

## CONSULTATION

27. Not Applicable.

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**Post Title: Finance Director**

	INVESTMENT PLAN PERIOD					TOTAL £'000
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	
<b>Income</b>						
Local Growth Fund	37,799	27,989	13,708	9,416	14,207	103,119
Devolution	15,000	15,000	15,000	15,000	15,000	75,000
Enterprise Zones	533	1,091	1,517	1,678	3,152	7,971
Local Transport Plan	13,935	13,952	13,952	13,952	13,952	69,743
Loan Repayments & Investment Income	1,020	2,501	1,715	1,668	568	7,473
Local Enterprise Partnership Grant	500	610	500	500	500	2,610
Growing Places Fund	4,364	0	0	0	0	4,364
Education, Employment & Skills Specific Grant Schemes	1,258	1,488	2,050	2,050	1,021	7,867
Transport Specific Grant Schemes	2,067	4,757	1,109	1,051	0	8,984
Other Specific Grant Schemes	1,364	1,071	1,067	0	0	3,502
European Structural Investment Fund	339	1,220	5,926	4,821	0	12,306
ERDF Legacy	0	0	11,000	0	0	11,000
SSI Task Force	42,509	0	0	0	0	42,509
Concessionary Fares Income	16,505	16,649	16,649	16,649	16,649	83,100
Local Authority Contributions	2,472	250	250	250	250	3,472
Other Income	0	130	617	580	572	1,899
<b>TOTAL INCOME</b>	<b>139,665</b>	<b>86,707</b>	<b>85,060</b>	<b>67,615</b>	<b>65,871</b>	<b>444,919</b>
<b>Approved Commitments</b>						
Business Growth	3,627	6,145	19,683	8,136	1,750	39,341
Research, Development, Innovation & Energy	2,008	3,926	18,884	6,000	0	30,818
Education, Employment & Skills	4,554	7,462	17,399	6,270	4,707	40,391
Culture	0	1,050	2,487	450	0	3,987
Transport	21,237	22,042	20,145	17,176	13,952	94,551
Enabling Infrastructure	58	7,044	13,205	0	0	20,307
Development Fund	558	2,634	3,300	186	0	6,678
Evaluation & Delivery	0	0	500	622	676	1,798
SSI Related Schemes (Not allocated to Investment Plan themes)	10,306	5,851	4,989	0	0	21,146
Core Running Costs	2,972	3,650	4,813	4,894	4,987	21,316
Mayoral Election	0	1,083	0	0	600	1,683
Concessionary Fares	16,505	16,649	16,649	16,649	16,649	83,100
<b>TOTAL EXPENDITURE</b>	<b>61,825</b>	<b>77,535</b>	<b>122,052</b>	<b>60,382</b>	<b>43,321</b>	<b>365,115</b>
						<b>0</b>
<b>AVAILABLE FOR NEW INVESTMENTS</b>	<b>77,840</b>	<b>9,172</b>	<b>-36,992</b>	<b>7,233</b>	<b>22,550</b>	<b>79,804</b>

## Appendix B

<b>DEVELOPMENT FUNDED PROJECT</b>	<b>AMOUNT</b>
CPI Healthcare Futures Centre (Personalised Medicines)	250,000
South Tees Development Corp Loan	400,000
Highways Challenge Fund	200,000
Buses Act	80,000
Dragongate Relocation Study	18,750
Redcar Railway Station Business Quarter	50,000
Skippers Lane Industrial Estate Expansion	100,000
Durham Tees Valley Airport Proposal Development	45,919
Teesside Advanced Manufacturing Park EZ - Remediation and Development	120,000
Boho Next Generation	100,000
Hartlepool Innovation & Skills Quarter Phase 2	505,000
Hartlepool Waterfront	680,000
HCFE/JDR Energy Life-Cycle Centre	300,000
Kirkleatham Estate Investment Project	415,000
Feethams Grade A Office Development	100,000
River Tees Development Plan	130,000
Faverdale (Phase 1)	220,000
Darlington Station	300,000
Ministry of Building Innovation	350,000
South Tees Development Corporation Site Investigations	750,000
Eaglescliffe Station Western Access	657,938
Tees Valley Waste Strategy	400,000
Full Fibre Network	70,000
Green Blue Heart Development Funding	185,000
Rail Gauge Enhancement Teesport - ECML	250,000
<b>COMMITTED FUNDS</b>	<b>6,677,607</b>