

AGENDA ITEM 9**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE HEAD OF
FINANCE AND RESOURCES****BUDGET 2019-20 AND MEDIUM TERM FINANCIAL PLAN****SUMMARY**

The Mayor is required to propose the Budget for the Combined Authority on an annual basis. The Budget provides the financial framework within which the Combined Authority will operate in the forthcoming financial year (2019-20) and over the medium-term. Following a period of public consultation this report presents the final Budget for Cabinet approval.

RECOMMENDATION

- i. It is recommended the Combined Authority Cabinet approve the Budget;
- ii. Note the pay policy statement (Appendix 8).

DETAIL

In November 2018 the Mayor presented a draft Budget to Cabinet. With the agreement of Cabinet the draft Budget was published for public consultation during the period 30 November 2018 to 6 January 2019. During this period the draft Budget was subject to scrutiny through the Combined Authority Overview and Scrutiny Committee. The draft budget was also considered at meeting of the Tees Valley Directors of Resources and Local Authority Leaders gave it further consideration at a special meeting held 17 December.

During the consultation period a number of comments have been received regarding the draft Budget. The draft Budget has been amended to reflect the feedback received and this report presents the revised final Budget proposal.

BUDGET SUMMARY

1. Since the 2018-19 Budget was agreed a number of further investments against the single pot have been approved by Cabinet with a total value of £624m, these are detailed in **Appendix 1**.
2. This report sets out the proposed budget for 2019-20 and the medium term financial plan (MTFP) for the period to March 2023 (the Budget). The Budget presents all forecast funding and expenditure for the plan period.
3. For the plan period the Authority will have a total of £710m available funding resources. This comprises £202m single pot funding, £261m specific grant funding, £60m held in reserves and £187m borrowing.

4. Committed expenditure for the period 2019-23, including indicative funding allocations identified within the Investment Plan, is budgeted at £710m.

FUNDING

5. Total available funding for the plan period is £710m comprising:

Funding 2019-23	£'000
Single pot	201,514
Specific grant	261,214
Borrowing	187,380
Held in reserves	59,941
Total Funding	710,049

SINGLE POT FUNDING

6. Single pot funding is defined as all Combined Authority funding for which there is fully devolved discretion regarding expenditure. This funding provides for new investment through the investment plan process and to meet Combined Authority core costs.
7. Forecast funding for the budget period 2019-23 is £202m as follows:

Single pot funding	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Growth Fund	13,708	9,416	14,217	0	0	23,633
Devolution	15,000	15,000	15,000	15,000	15,000	60,000
Enterprise Zones	2,475	4,120	5,379	5,557	5,977	21,033*
Transforming Cities Fund	4,000	13,000	18,000	24,000	16,500	71,500
Investment returns	726	3,818	939	2,110	1,761	8,628
LEP Grant	500	500	500	500	500	2,000
LA contributions	250	0	0	0	0	0
Combined Authority Mayoral capacity	1,000	1,000	0	0	0	1,000
Other funding	180	180	1,180	1,180	11,180	13,720
Total	37,839	47,034	55,215	48,347	50,918	201,514

* The Enterprise Zone funding includes expected receipts in relation to business rates for current enterprise zones located on the South Tees Development Corporation site. With the recent Budget announcement making South Tees a Special Economic Area which will allow for the local retention of additional business rates growth, there may be implications for EZ funding.

Local Growth Fund

8. In total the Combined Authority has been allocated £103m through previous Local Growth Fund rounds. As at the end of March 2019 it is forecast that £86m will have been spent/committed with £17m remaining available for new investment in the plan period.

Devolution

9. 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. For the purpose of the budget plan period it is assumed that this level of funding will continue beyond the first five year review which will take place during 2020/21.
10. As at the end of March 2019 it is forecast that £39m will have been spent/committed with £65m remaining for new investment and contributions to core costs in the plan period, comprising £60m funding to be received and £5.2m held in reserves.

Enterprise Zones

11. The Combined Authority retains business rate funding from a number of designated enterprise zones (EZ). As the zones continue to attract more business the funding generated is forecast to increase. For the plan period enterprise zone funding is forecast to increase by over 140% from the expected 2018-19 outturn of £2.5m to £6m in 2022-23.
12. As with all EZ funding streams there is an element of uncertainty surrounding the timing and value of the funding however the premises that contribute to this increase are all currently under construction, for example MGT and Tees AMP, which provides a level of certainty behind the estimates. As at March 2019 it is forecast that £21m will be available for new investment and contributions to core costs in the plan period.

Transforming Cities Fund

13. The Transforming Cities Fund was announced by Government in the 2017 Budget and Tees Valley was awarded a total of £59m funding to transform local transport. This funding is to cover a 4 year period with £4m received in 2018/19 and the remaining £55m being received in the period covered by this plan. In the 2018 Budget the fund was extended into 2022/23 and an additional £16.5m was awarded to the Tees Valley. The fund gives the Combined Authority freedom to invest on strategic transport priorities.

Investment Returns

14. A number of Combined Authority investments are made on a recoverable and/or commercial basis, based on current agreements it is estimated that £8.6m will be repaid during the period.

Local Enterprise Partnership Grant and LA Contributions

15. The Combined Authority receives LEP grant of £500k per annum. In addition, the five constituent local authorities currently each provide £50k per annum to support the Combined Authority and match the LEP grant. For the plan period the LEP grant match can be met from other available funding streams and therefore the Local Authority

contribution is not required, providing a local authority saving of £1.0m over the plan period.

Mayoral Combined Authority Capacity Funding

16. Funding of £1.0m per annum was granted to Mayoral Combined Authorities with elected mayors for 2018-19 and 2019-20, to boost the new mayors' capacity and resources, this funding has been absorbed into the single pot. No commitment has been provided by Government to fund capacity beyond this period.

Other funding

17. Other funding comprises of funds received from external recharges and contributions from South Tees Development Corporation for shared resources.

Council Tax Precept

18. Legislation requires Combined Authority Mayors to set a precept on the Council Tax to support functions which cannot be funded through other sources of funding. The Tees Valley Combined Authority is able to meet the costs of its functions entirely from resources it has secured as a result of the Devolution Deal and other funding sources. The Tees Valley Mayor therefore proposes to set a zero precept for 2019/20, and will not set a Council Tax precept in future years.

SPECIFIC GRANT FUNDING

19. Specific grant funding relates to funding received by the Combined Authority for identified purposes. All these funding streams do come with a degree of constraint in as to how they are applied, and therefore do not provide the fully devolved flexibility that single pot funding does.

Specific grant funding	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Routes to Work (DWP)	2,218	2,439	1,211	0	0	3,650
Growth Hub (BEIS)	246	246	0	0	0	246
Nat. Productivity Investment Fund (DfT)	3,274	5,050	0	0	0	5,050
Access Fund (DfT)	1,109	1,051	0	0	0	1,051
ERDF (Business Compass) (ERDF)	4,482	6,843	0	0	0	6,843
ERDF Legacy (MHCLG)	0	3,666	3,667	3,667	0	11,000
Great Places (Heritage Lottery Fund)	711	528	0	0	0	528
Adult Education Budget (DfE)	392	20,179*	30,000	30,000	30,000	110,179
Careers & Enterprise	60	50	21	0	0	71
Local Transport Plan (DfT)	13,943	13,943	13,943	13,943	13,943	55,772
Concessionary Fares Funding (LAs)	16,706	16,706	16,706	16,706	16,706	66,824
Other	1,476	0	0	0	0	0
Total	44,617	70,701	65,548	64,316	60,649	261,214

* note the Adult Education Budget funding for 19/20 is less than future years as full devolution does not commence until part way through the year in August 2019

Routes to Work

20. £6m of funding was secured over a 3 year period from 2017 to 2020, matched by £1.5m from the single pot, to provide holistic support to those long term unemployed aged 30 or over. The project identifies and provides support to address and overcome multiple barriers that some people face when trying to access work. The Service is monitored by the Combined Authority and delivered by the five Tees Valley Local Authorities through multiple service providers offering one-to-one tailored support.

BEIS Growth Hub

21. The Growth Hub support from BEIS was extended in until 2019/20 to ensure that all businesses in every region have access to a local Growth Hub. This funding is to allow the Growth Hubs to carry on building their reach, developing peer-to-peer networks, connecting businesses to the best support available from the private and public sectors and to target support on those businesses with the opportunity, ambition and greatest potential to grow.

National Productivity Investment Fund (NPIF)

22. Over £8m NPIF funding covering 2018/19 and 2019/20 was allocated to improve local road networks and public transport. One of the purposes of the fund is to ease congestion and provide upgrades on important roads. Applications for individual projects were assessed and approved by Department for Transport with the region receiving funding for Darlington Growth and Enterprise Zone Connectivity, A66/A171 Cargo Fleet Roundabout Improvement Scheme and A171 Swans Corner to Flatts Lane Improvement.

Department for Transport Access Fund

23. Over £1m of funding per annum was awarded over a 3 year period covering 2017/20 and is being used to widely encourage the use of public transport, cycling and walking through the introduction of sustainable transport schemes, promotion and marketing. The funding also targets those who have difficulties to get back into work because of the restrictions accessing transport and the cost of travel affecting their ability to attend interviews. They will also benefit from discount bus travel and bike loans.

ERDF Business Compass

24. Funded by the ERDF to promote and support growth to SME's the Business Compass service provides support to help with anything from developing a skilled workforce, accessing finance and grants and developing a growth strategy to finding the right location, product development, sales and marketing and starting up a new business. The Programme runs from January 2017 to December 2019. The Combined Authority is currently looking at options to extend this programme beyond this date.

ERDF Legacy

25. Funding has been recycled from previous regional ERDF funded investments, including the North East Jeremie Fund, to provide additional support for Tees Valley businesses seeking investment.

Great Places

26. Tees Valley Combined Authority has secured £1.5 million as part of the Heritage Lottery Fund and Arts Council England Great Place scheme to fund activities which will put arts, culture and heritage at the heart of the community. Led by Tees Valley Combined Authority, the Great Place – Greater Tees project will provide funding for a number of arts and cultural organisations across Tees Valley and support popular existing events as well as new initiatives.

Adult Education Budget

27. The AEB funding provides an estimate of £110m funding over the period with full devolution commencing 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.

Careers & Enterprise Company

28. The Enterprise Adviser Network has been running since 2015 and is currently funded up till 2020. The network of advisors work with local schools and businesses to ensure every young person has the chance to access those meaningful employer encounters that play such a vital part in helping them decide their future path.

Local Transport Plan

29. As the transport authority for the Tees Valley the annual capital block funding allocations are passported through the Combined Authority to the constituent Local Authorities based on historical allocations. The Combined Authority role in this is transactional in enabling the funding to be transferred from Government to the Local Authorities.

Concessionary Fares Funding

30. 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.

BORROWING

31. 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. To date the Tees Valley is the only Mayoral Combined Authority not to use this mechanism in order to boost its investment capability in the short to medium term.
32. Not only does this borrowing increase the scope to have a bigger economic and transformational impact sooner, it also makes financial sense as the release of the £450m over the 30 years is not index linked. Therefore, the spending power of £15m in 2046 will be far less than today at only £6.7m. Based on the standard discount rate of 3% it is financially advantageous to forward fund as the prudential borrowing rates are below this level.

33. The arrangements for Combined Authority borrowing are set out in the annually agreed Treasury Management Policy. Within the MTFP period the borrowing requirement is £187m as part of a wider Investment Plan borrowing requirement of £241m to 2025, details of which can be found at **Appendix 2**. This is well within the Government agreed borrowing caps of £571m in 2019/20 and £774m in 2020/21. The 2019/20 Treasury Management Policy will set out the prudential indicators to support the proposed borrowing.

EXPENDITURE

SINGLE POT INVESTMENT – COMMITTED

34. All single pot investment is delivered through the Combined Authority Investment Plan.

Investment Plan	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Approved investments	41,747	29,611	17,907	3,595	340	51,453
Development fund commitments	6,000	832	-	-	-	832
Investment Plan allocations	0	107,100	69,300	83,800	87,500	347,700
Total	47,747	137,543	87,207	87,395	87,840	399,985

Approved investments incurring expenditure in the plan period

35. For the plan period forecast expenditure on approved investments equates to £51m, as presented in **Appendix 3**. These approved investments comprise 23 individual projects and programmes and a brief outline of each is set out below.

A689 Wynyard Improvements

36. In the original growth deals of 2014/15 £3m was allocated, subject to due diligence, to improve signalisation and widen five roundabouts on the A689 at Wynyard. Subsequently, Stockton Borough Council submitted a change request to move funding between approved schemes which resulted in a revised figure of £2.525m. This scheme will provide additional capacity on the A689 roundabouts to provide the local access required for the proposed housing developments in Wynyard and South West Hartlepool. This complements the recent improvements to the strategic road network that the Highways Agency has completed, to provide additional capacity at the A19/A689 Interchange, and their longer term commitment to providing the additional capacity required to accommodate future development traffic and wider traffic growth along the A19 between Norton and Wynyard. The Combined Authority is currently working with Stockton Borough Council on bringing forward this scheme.

Apprentice Grant for Employers

37. The Apprentice Grant for Employers programme has the aim of supporting businesses (principally micro and small enterprises) that would not otherwise be in a position to

recruit individuals aged 16 to 24 into employment through an Apprenticeship programme. Employers who recruit an apprenticeship and keep them in employment for at least 13 weeks receive a grant which goes some way to offsetting the cost involved in employing and investing in the development of an apprentice. The programme was devolved to Tees Valley in 2016/17 with £1.536m funding through the Skills Funding Agency. In January 2017 Cabinet approved further funding of £524k to continue the programme. In July 2017 Cabinet approved a further £1.3m funding to enable further continuation of the programme. Currently in delivery, the £1.3m funding is forecast to be expended by the end of 2019/20.

Business Finance Scheme

38. In February 2018 Cabinet approved an allocation of £5m through the Investment Plan to progress on the proposal to improve access to finance for business, by bringing forward new proposals for additional support for Tees Valley businesses seeking investment. Plans involve allocating £11 million of funding recycled from previous regional ERDF funded investments, including the North East Jeremie Fund, which will add to the approved £5 million business support allocation within the Investment Plan. This will provide an initial £16 million funding allocation to business for propositions that are unable to access finance from other sources.

Careers & Enterprise Programme

39. The Enterprise Advisor Network programme provides support to connect local business with schools and colleges across the Tees Valley. Advisors support and enhance existing activities, ensure that the schools are aware of additional support available and identify what additional support the school requires to deliver improved careers education. Match funding of £110k has been provided to enable the extension of the careers initiative. Beyond this, funding for the initiative is to continue through the Cabinet approved Careers and Enterprise Initiative.

CPI Healthcare Futures Centre

40. In the original growth deals of 2014/15 £10m was allocated, subject to due diligence, for the CPI Healthcare Futures Centre, a new facility on the Enterprise Zone at Central Park which will allow organisations to develop and test medicine manufacturing technologies that can be applied in the new and emerging therapeutic supply chains. It will integrate with existing National Biologics Manufacturing Centre and the new Teesside University National Horizons Centre to form a strong cluster for the biologics sector. There are a number of factors that have resulted in a delay to the proposal progressing to funding agreement stage. The proposal is reliant on ERDF funding application and as a result changes were required to the funding model. The Combined Authority are progressing with the due diligence and the outcome of the ERDF application is awaited.

Building Cultural Capacity

41. In March 2017 Cabinet approved a £1.8m programme of culture activity, which included a £100k allocation for building cultural capacity. Activity regarding building cultural capacity is currently in delivery, with a forecast £25k remaining to be spent in 2019/20.

Culture - City Games & Cross Country

42. In March 2018 Cabinet approved, subject to due diligence, the allocation of up to £340k grant funding to the Great Tees City Games and Great Tees XCountry and 'in principle'

funding for up to a further £1.575 million to secure the Games to take place after 2019 until 2025. The expenditure forecast for 2019 onwards is subject to the outcome of current delivery.

Culture - Destination Marketing Programmes

43. In March 2017 Cabinet approved a £1.8m programme of culture activity, which included a £1.05m allocation for a destination marketing programme. The programme is currently in delivery and aims to celebrate and communicate the very strong tourism assets Tees Valley already has, and ensure that we are ready to promote those which will be developed over the coming years. Focus has been put on to the creation of a destination marketing service with website, private sector engagement, product development and PR and marketing, and working closely with partner organisations to maximise success.

Delivering Sector Action Plans Programme

44. In February 2018 Cabinet approved an allocation of £1.9m through the Investment Plan for delivering sector action plans. It was agreed as part of the approval that individual projects would be approved on an individual basis as they come forward.

Education, Employment & Skills Strategy - Addressing Long Term Unemployment

45. In February 2018 Cabinet approved programme funding of £2m aimed at addressing long term unemployment through a targeted 15-18 programme of holistic support and a pilot a work experience programme for 16-18 year olds. The operating model for the delivery of these programmes is still to be developed with expenditure forecast across 2019/20 and 2020/21.

Education, Employment & Skills Strategy – Business Challenge and Workforce Planning

46. In February 2018 Cabinet approved programme funding of £1.5m for a programme of workforce planning support to businesses. The operating model for the delivery of this programme is still to be developed with expenditure forecast across 2019/20 and 2020/21.

Education, Employment & Skills Strategy – Creating a Tees Valley Careers & Enterprise Initiative

47. In February 2018 Cabinet approved funding of £3m for a programme of work to create a Tees Valley Careers and Enterprise Initiative. This programme will provide more effective, informed and high quality Careers and Enterprise education in all educational establishments including primary schools in the Tees Valley area. The aims of the new initiative will better align careers and enterprise education in schools to business needs and improve the experiences of young people to ensure they are better informed and prepared for work. The aim is to engage 1,000 businesses in careers education across all schools and from Key Stage 2, age 7 upwards.

Education, Employment & Skills Strategy – Developing a Skills System for Business Growth

48. In February 2018 Cabinet approved funding of £2m for a programme of work to develop post-16 technical business led route ways. This programme aims to ensure skills

provision is focused on meeting the skills gaps in the local economy by reducing the skills gaps by employers in high growth sectors. Helping businesses create higher level apprenticeships including degree level that lead to high quality jobs. Expanding the opportunity for young people to take up apprenticeships and access high quality technical education. Improving skills route ways to entry level and good progressive jobs. The operating model for the delivery of this programme is still to be developed with expenditure forecast across 2019/20 and 2020/21.

Education, Employment & Skills Strategy – Supporting Education Innovation and Collaboration

49. In February 2018 Cabinet approved funding of £2m for a programme of work to support education innovation and collaboration. The aim of the programme is to help meet the education workforce challenge by recruiting and retaining high quality teachers into the Tees Valley. It aims to improve high quality technical education routes for young people into high quality jobs and support collaborative pilot scheme that improve outcomes for pupils. The development of the operating model for the delivery of this programme is currently on hold subject to the detail of a Government announcement in October 2018 regarding the £24m Opportunity North East programme.

Feethams Grade A Office Development

50. In February 2018 Cabinet approved £3.23m investment for the construction of 3,264sqm of Grade A office accommodation in Darlington town centre. The budget identifies £3.13m forecast expenditure in 2019/20 and 2020/21. The remaining £100k has been recovered for previous development costs.

Hartlepool Centre of Excellence in Technical Training for the Creative Industries

51. Approved under delegated decision in December 2017 for £656k the centre aims to bring back into use the mothballed £4.5m Northern Lights Academy facility and turn it into a Centre of Excellence in Technical Training for Creative Industries for young people. It will target emerging technologies and industry growth sectors including traineeship and apprenticeships in TV and Film, Sound Production, Theatre and Live Event production and Digital Media.

Hartlepool Innovation Skills Quarter

52. Building on the completion of the impressive new Northern School of Art, this project progresses Hartlepool Borough Council's exciting vision for the creation of an Innovation and Skills Quarter. The project aims to encourage the growth of a creative industries cluster, capitalising on graduates from The Northern School of Art and Hartlepool College and changing the mix of businesses in Church Street, encouraging daytime business and leisure uses.

Hartlepool Western Growth Corridor

53. Approved funding of £4.173m by Cabinet in July 2018, this project consists of the development of a by-pass for the Village of Elwick and an overbridge and compact grade separation at the current Elwick North junction to the A19, which will improve the strategic and local road network. This will provide a third main route into Hartlepool, enabling the development of significant levels of new housing in the West of the Borough.

Ingenium Parc – Phase 1

54. The project was approved by Cabinet in November 2017 and £3.9m was allocated in the provision of enabling infrastructure to unlock 11.5ha of key employment land located within Darlington's Eastern Urban Fringe to ensure it is development ready.

Routes to Work

55. As outlined in paragraph 23 of this report, £6m of Routes to Work programme funding was secured from the Department of Work and Pensions (DWP), matched by £1.5m from the Combined Authority. The programme provides holistic support from a range of service providers for those unemployed or economically inactive individuals aged 30+ across the Tees Valley area, who are deemed to need the most help and support to move back into work. This includes many elements with the primary focus being on the individual. It provides the opportunity to identify and address multiple barriers that some people face when trying to access work and does not solely focus on providing training courses. The Combined Authority match funding of £1.5m will only be expended after the £6m DWP funds have been utilised, hence it is forecast to be spent in 2020/21.

Sustainable Access to Employment Programme

56. This four-year £8.3m programme was included in the original Growth Deal and contributes to delivering a high value, low carbon economy by promoting the use of sustainable modes of transport to reduce congestion and cut emissions. It also aims to improve accessibility to employment opportunities for Tees Valley residents through the improvement of walking and cycling access between key employment and housing sites and access to existing transport networks. The remaining £1.2m of this programme will be delivered in 2019/20.

Sustaining 16+ Facilities Capital

57. In 2017 Cabinet approved an allocation of £3.5m for sustaining 16+ facilities capital. The funding is available to support the sustainability of further education colleges following the post-16 education area review via an application process. For the budget plan period £2.535m of this funding remains available for capital investment.

Youth Employment Initiative Extension

58. In 2016 Cabinet approved an allocation of up to £2.06m to act as a required 25% match as part of the overall programme budget. This allocation secured up to an additional £6.188m of European Structural Fund for the Tees Valley.

Development fund commitments

59. For the plan period forecast expenditure on development funding equates to £0.83m. The detail of the projects to incur this expenditure are set out at **Appendix 3**.

Investment Plan Allocations

60. On 24 January 2019 Cabinet approved a 10 year Investment plan, making new commitments of £588m to 2029. Of this £348m will be invested within the MTFP period. **Appendix 4** presents the financial plan for the Investment Plan and the key themes for new commitments.

SPECIFIC GRANT EXPENDITURE

61. Expenditure against specific grants broadly follows funding receipt, descriptions of each is set out in the funding section of this report apart from the SSI Task Force grants which is described below.
62. It is anticipated that at 31 March 2019 there will be £14m of specific grant funding held in the balance sheet all of which will be expended during the plan period and all specific grant programmes will be completed within the budget plan period with the exception of the annual Adult Education Budget, Local Transport Plan and Concessionary Fares. A number of the grant schemes are delivered by the Combined Authority directly with associated staff resources which are funded directly from the grant itself.
63. During 2015/16 the Government announced an £80m funding package to provide economic support for those employees impacted (directly and indirectly) by the closure of the SSI plant in Redcar, of which £47m was channelled through the Combined Authority and managed by the SSI Task Force. To date 93% of the funding is committed and the remaining projects and programmes are currently working their way through the assurance process.

Specific grant expenditure	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	'000	£'000	£'000	£'000
Routes to Work	2,218	2,439	1,211	0	0	3,650
BEIS Growth Hub	246	246	0	0	0	246
National Productivity Investment Fund	3,274	5,050	0	0	0	5,050
DfT Access Fund	1,109	1,051	0	0	0	1,051
ERDF (Business Compass)	4,494	6,843	0	0	0	6,843
ERDF Legacy	0	3,666	3,667	3,667	0	11,000
Great Places	711	528	0	0	0	528
Adult Education Budget	392	20,079	30,000	30,000	30,000	110,079
Careers & Enterprise	60	50	21	0	0	71
SSI Task Force	8,256	14,209	0	0	0	14,209
Local Transport Plan	13,943	13,943	13,943	13,943	13,943	55,772
Concessionary Fares Funding	16,706	16,706	16,706	16,706	16,706	66,824
Other	2,455	0	0	0	0	0
Total	53,864	84,810	65,548	64,316	60,649	275,323

CORE COSTS

64. More than 96% of all Combined Authority funding is invested, with less than 4% being utilised for core costs. For the 2019/20 budget it is planned to remain within the current 2018/19 funding envelope for core costs.
65. One-off costs are incurred for mayoral elections, with the previously agreed budget of £0.6m for 2020-21.

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core costs	4,813	4,813	4,813	4,813	4,813	19,252
Mayoral election	-	-	600	-	-	600
Total	4,813	4,813	5,413	4,813	4,813	19,852

66. The table below sets out the proposed core costs budget for 2019/20 and the previously agreed budget for 2018/19. A more detailed breakdown of running cost budgets are provided at **Appendix 5**.

Core costs	2018/19	2019/20
Salaries	3,113,332	3,113,332
National Insurance	340,722	340,722
Pension Contribution	478,858	478,858
Other Staffing Costs	15,000	15,000
Total Staff Costs	3,947,912	3,947,912
Premises	336,000	336,000
General Running Costs	369,000	369,000
Marketing & Communications	160,000	160,000
Non-Salary Expenditure	865,000	865,000
TOTAL EXPENDITURE	4,812,912	4,812,912

67. In the current year we are projecting savings of approximately £292k, comprising £341k underspend on salaries (vacant posts and vacancies filled during year) offset by an additional £49k in non-staffing costs (a one-off backdated premises charge, additional expenditure for the purchase of a secure file sharing facility and Chief Executive recruitment costs).

RESERVES

68. 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. As agreed in the 2018/19 Budget we consider that the

appropriate way of identifying the net revenue of the Combined Authority for this purpose is to take the average of the risk-based revenue that we expect to receive over the period of the MTFP and hold a proportion of this in the General Reserve. This will require us to set the General Reserve Balance at £1.058m which is an increase of £96k from the current reserve of £962k.

MEDIUM TERM FINANCIAL PLAN 2019-23

69. Funding and expenditure for the plan period, including the proposed 2019/20 budget is summarised in the medium term financial plan as set out in **Appendix 6**. The medium term financial plan is also set out based on Investment Plan themes at **Appendix 7**.

FINANCIAL IMPLICATIONS

70. This report sets the budget for the Combined Authority under the context of the agreed Investment Plan. This report does not propose any amendments to the Investment Plan.

LEGAL IMPLICATIONS

71. As a Mayoral Combined Authority we are legally required to set a budget for the coming financial year and a Medium Term Financial Plan covering the coming financial year and the three years thereafter.

RISK ASSESSMENT

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

CONSULTATION

73. Consultation was undertaken with the public and key stakeholders between 30 November 2018 and 6 January 2019.

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Appendix 1

Investments against the single pot approved by Cabinet since the 2018-19 Budget was agreed

	£ '000
Feethams Grade A Office Development	3,230
Snow Centre	250
Education, Employment & Skills Strategy	10,500
Kirkleatham Catering Academy and Walled Garden	3,660
Culture: City games	1,915
Culture: Rugby League World Cup Bid	250
Annimersion	39
Middlesbrough Station	2,500
Darlington Station	3,000
Stockton Riverside College - Redcar College IT Infrastructure	968
TVCA Hydrogen Transport Deployment Bid	80
TWI Joint Hydrogen Business Development Manager	60
Hartlepool Western Growth Corridor	4,173
National Museum of the Royal Navy Hartlepool	499
Liberty Steel Grant	1,000
Liberty Steel Loan	3,600
10 year Investment Plan	588,200
TOTAL	623,924

Appendix 2

10 Year Investment Plan Borrowing

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	49,400	40,000	48,650	49,240	41,300	12,800					241,390
	MTFP Period Total			187,290							
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan Principal Repayment	0	1,500	2,800	4,500	6,400	8,100	8,800	9,000	9,200	9,400	59,700
Loan Interest	0	1,095	1,989	3,005	4,000	4,800	4,900	4,700	4,500	4,300	33,289
	MTFP Period Total			14,889							

Appendix 3

Forecast expenditure on approved investments in the plan period

SINGLE POT APPROVED INVESTMENTS EXPENDITURE	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
A689 Wynyard Improvements	2,525				2,525
Apprentice Grant For Employers	450				450
Business Finance Scheme	1,500	1,750	1,750		5,000
Careers & Enterprise Programme	60				60
CPI Healthcare Futures Centre (Personalised Medicines)	3,750	6,250			10,000
Culture: Building Cultural Capacity	25				25
Culture: City games & Cross-Country	340	340	245	340	1,265
Culture: Destination Marketing Programmes	378				378
Delivering Sector Action Plans Programme	1,900				1,900
Education, Employment & Skills Strategy - Addressing long term unemployment (15-18 programme & work experience)	1,000	1,000			2,000
Education, Employment & Skills Strategy - Business challenge and workforce planning	750	750			1,500
Education, Employment & Skills Strategy - Creating a TV Careers & Enterprise Initiative	1,250	1,250			2,500
Education, Employment & Skills Strategy - Developing a skills system for business growth	1,000	1,000			2,000
Education, Employment & Skills Strategy - Supporting education innovation and collaboration	1,000	1,000			2,000
Feethams Grade A Office Development	1,663	1,467			3,130
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	344				344
Hartlepool Western Growth Corridor	2,673				2,673
Hartlepool ISQ	1,600	1,600	1,600		4,800
Ingenium Parc - Phase 1	1,600				1,600
Routes to Work		1,500			1,500
Sustainable Access To Employment Programme	1,208				1,208
Sustaining 16+ Facilities Capital	2,535				2,535
Youth Employment Initiative Extension	2,060				2,060
TOTAL	29,611	17,907	3,595	340	51,453
DEVELOPMENT FUND APPROVED EXPENDITURE	2019/20	2020/21	2021/22	2022/23	TOTAL
District Heating Commercialisation Stage	400	0	0	0	400
Eaglescliffe Station Western Access	329	0	0	0	329
Kirkleatham Estate Investment Project	103	0	0	0	103
TOTAL	832	0	0	0	832

Appendix 4

10 Year Investment Plan	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	TOTAL
Transport	47,900	19,600	26,600	36,300	23,800	23,600	20,300	19,500	19,500	19,600	256,700
Education, Employment & Skills	7,500	7,500	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	55,000
Business Growth (including enabling infrastructure)	38,700	19,200	29,200	19,200	19,200	4,200	4,200	4,200	4,200	4,200	146,500
Culture & Tourism	1,000	11,000	11,000	15,000	15,000	7,000	0	0	0	0	60,000
Research, Development & Innovation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Place	10,000	10,000	10,000	10,000	10,000	0	0	0	0	0	50,000
	107,100	69,300	83,800	87,500	75,000	41,800	31,500	30,700	30,700	30,800	588,200
	MTFP Period Total			347,700							

Appendix 5

Detailed Running cost budget 2019/20

Budget Heading	Budget 2018/19	Budget 2019/20
Premises		
Electricity	33,000	33,000
Rates	87,000	87,000
Rents and Leases	196,000	196,000
Repairs and Maintenance Condition	8,000	8,000
Cleaning and Domestic Contracts	12,000	12,000
	336,000	336,000
Transport		
Transport Fares - Payroll	12,000	12,000
Transport Fares - Non Payroll	60,000	60,000
	72,000	72,000
General Running Costs		
Catering, Food & Drink	2,000	2,000
Equipment/Furniture/Materials	3,000	3,000
Room/Facility Hire	3,000	3,000
ICT - Hardware	3,000	3,000
ICT - Software / licences	30,000	30,000
Insurance	35,000	35,000
Printing & Photocopier	1,000	1,000
Professional Fees & Consultancy	6,000	6,000
External Audit Fees	30,000	30,000
Stationery	2,000	2,000
Subscriptions & Memberships	32,000	32,000
Staff Expenses	15,000	15,000
Telecommunications	4,000	4,000
Mail Services	1,000	1,000
	167,000	167,000
Support Costs		
Financial Support (including Treasury Management, VAT advice)	20,000	20,000
Internal Audit	2,000	2,000
Risk Management & Insurance	2,000	2,000
ICT	33,000	33,000
Printing	7,000	7,000
HR	12,000	12,000
Voice & Data Network	29,000	29,000
Monitoring Officer / Legal Support	24,700	24,700
	129,700	129,700
Marketing & Communications	160,000	160,000
Total Running Costs Budget	864,700	864,700

Appendix 6

Medium Term Financial Plan 2019-23

MEDIUM TERM FINANCIAL PLAN	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
Single Pot Income	47,034	55,215	48,347	50,918	201,514
Specific Grant Income	70,701	65,548	64,316	60,649	261,214
Borrowing	49,490	40,000	48,650	49,240	187,380
TOTAL INCOME	167,225	160,763	161,313	160,807	650,108
Approved Investments	29,611	17,907	3,595	340	51,453
Development Fund Commitments	832	0	0	0	832
Specific Grant Expenditure	84,810	65,548	64,316	60,649	275,323
10 Year Investment Plan	107,100	69,300	83,800	87,500	347,700
Core Costs	4,813	5,413	4,813	4,813	19,852
Cost of Borrowing	0	2,595	4,789	7,505	14,889
TOTAL EXPENDITURE	227,166	160,763	161,313	160,807	710,049
TRANSFER TO / FROM RESERVES	-59,941	0	0	0	-59,941
Usable Reserves Opening Balance	59,941	0	0	0	
Transfer To / From Reserves	-59,941	0	0	0	
USABLE RESERVES CLOSING BALANCE	0	0	0	0	

Appendix 7

Medium Term Financial Plan 2019-23 – Investment Plan Themes

EXPENDITURE BY INVESTMENT PLAN HEADINGS	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
Transport	74,350	33,543	40,543	50,243	198,679
Education, Employment & Skills	42,117	46,832	36,600	35,000	160,549
Business Growth (Including Enabling Infrastructure)	69,100	26,084	34,617	19,200	149,001
Culture & Tourism	2,271	11,340	11,245	15,340	40,196
Research, Development, Innovation & Energy	5,750	8,250	2,000	2,000	18,000
Place	10,000	10,000	10,000	10,000	40,000
Development Pot	832	0	0	0	832
INVESTMENT PLAN EXPENDITURE	204,420	136,049	135,005	131,783	607,257
SSI Schemes Not In Investment Plan	1,227	0	0	0	1,227
Concessionary Fares	16,706	16,706	16,706	16,706	66,824
Core Running Costs	4,813	5,413	4,813	4,813	19,852
Cost of Borrowing	0	2,595	4,789	7,505	14,889
NON-INVESTMENT PLAN EXPENDITURE	22,746	24,714	26,308	29,024	102,792
TOTAL EXPENDITURE	227,166	160,763	161,313	160,807	710,049

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

This pay policy statement applies to the financial year 2019/20.

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
Chief Executive	Chief Executive	£139,077
Business Director	Assistant Director 1	£91,044
Finance Director	Assistant Director 1	£91,044
Investment Director	Assistant Director 1	£91,044
Strategy Director	Assistant Director 1	£91,044
Head of Communication and Marketing	SM 1	£76,997
Head of Culture and Tourism	SM 1	£76,997
Head of Education, Employment and Skills	SM 1	£76,997
Head of Finance, Resources and Housing	SM 1	£76,997
Head of Transport	SM 1	£76,997

4. Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment.
5. Positions within the Combined Authority, including senior posts, are set in line with posts of similar levels of responsibility within Stockton-on-Tees Borough Council. The salaries for Chief Officers have been determined through independent analysis and benchmarking and reflect rates which are reasonably sufficient to recruit and retain senior officers, taking into account market conditions. The grades attributable to Chief Officer posts are subject to job evaluation and based on clear salary differentials which reflect the level of responsibility attached to any particular role.
6. Chief Officers do not receive bonus payments or performance related pay nor do they receive any benefits in kind paid for by the employer. Where a Chief Officer meets the criteria for entitlement to expenses these are paid in accordance with the Combined

Authority's policies, aligned with those of Stockton-on-Tees Borough Council. Increases in pay for Chief Officers will occur only as a result of:

- pay awards agreed by way of national/local collective pay bargaining arrangements;
 - significant changes to a Chief Officer's role which result in a higher salary being appropriate as confirmed by the outcome of an appropriate job-evaluation process; or
 - recruitment and/or retention payments which, in all the given circumstances at the relevant time, are deemed necessary in the best interests of the Combined Authority and which are determined under the relevant policy relating to such payments.
7. It is expected that Chief Officers will perform to the highest level. Performance related pay therefore does not form part of current remuneration arrangements. This position will be reviewed if legislation and/or guidance relating to Chief Officer posts changes.
8. Under the Combined Authority's constitution, appointment to the 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.
11. Where a severance package is to be paid, where taken as a whole, has a cost to the authority of £100,000 or more (subject to paragraph 19 below), the Cabinet will be given an opportunity to vote before the package is approved. Employees who would be contractually entitled to payments in excess of £100,000 where there is no discretion and a failure to comply would place the Combined Authority in breach of contract and leave it exposed to litigation would be exempt from the requirement of such a vote.
12. The Government is proposing to introduce a cap on Public Sector Exit Payments. The Combined Authority will amend its policy and payments made on termination to reflect any changes in legislation.

Employment of Individuals Already in Receipt of a Local Government Pension

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

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

14. The Combined Authority does not generally support the employment of ex-employees as Chief Officers under a contract for services. However, there may be circumstances where the employment of an ex-employee under these terms is the most effective and efficient way of meeting the Combined Authority's needs. If this situation applies formal approval will be sought from the 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

15. Stockton Borough Council introduced its Single Status Agreement on 1st April 2008, and this framework has been adopted by the Combined Authority. The lowest paid employees within the Combined Authority are appointed to jobs which have been evaluated using the NJC Job Evaluation Scheme and are remunerated accordingly.
16. The Combined Authority has proposed to adopt the recommendations of the Living Wage Foundation, in respect of directly employed staff. If adopted by Cabinet as part of the proposed Budget, the Combined Authority's pay and grading structure will be applied in such a way as to ensure that no employee receives a minimum hourly pay of less than £9.00.
17. From 1st April 2016, in line with the policies of Stockton-on-Tees Borough Council, the Combined Authority agreed to pay its apprentices the National Minimum Wage relating to age (starting at £4.20 per hour for 16 to 18 year olds, compared to the national apprentice rate of £3.70 per hour). Given the specific nature of these appointments, apprentices have not been included within the definition of lowest paid employees for the purposes of this policy statement.
18. The 2018/19 pay deal included a commitment for the NJC to review the "Green Book" pay spine. A new pay spine has been agreed as part of the 2018-20 pay deal and is due to be implemented locally by local authorities from 1st April 2019. The impact of the new pay spine has been evaluated in line with the Combined Authority's commitment to continue adopting the Living Wage Employer recommendations in respect of directly employed staff, that it does not detriment any part of the Combined Authority's workforce and to deliver a proposal which is affordable and within the Combined Authority's Medium Term Financial Plan.

Relationship between Chief Officer and Non-Chief Officer Remuneration

19. 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 31st December 2018, for employees within the scope of this statement.
20. The Combined Authority's current Median Hourly rate is £18.26 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 3.95.

General Principles Regarding the Remuneration of Staff

21. 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.
22. 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

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