

AGENDA ITEM 6**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****27TH JANUARY 2023****REPORT OF THE GROUP DIRECTOR
OF FINANCE AND RESOURCES****ADOPTION OF INVESTMENT PLAN, BUDGET 2023-24 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. This year the Investment Plan was formally adopted by Cabinet on 29 July 2022.

The Group Chief Executive and Group Director of Finance and Resources submitted a draft budget to Cabinet on December 9th 2022 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 (2023-2024) 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 4**. The Local Authority Chief Executives, Tees Valley Management Group and Tees Valley Directors of Resources have scrutinised the proposed Budget.

The Draft Budget has been amended to reflect the feedback received and a proposed amendment to the investment plan has been received and is detailed in paragraph 7. As this is an amendment to the investment plan it will require unanimous approval of the Cabinet.

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 2023-24. There are no expenditure items on the Mayors

General Functions within this paper and there are no changes to the investment plan as a result of this budget.

RECOMMENDATION

It is recommended that the Combined Authority Cabinet:

- i. approves the final Budget for 2023-24.
- ii. considers the proposed amendment detailed at paragraph 7 for acceptance into the investment plan.
- iii. approves the financial allocations for the Investment Plan If recommendation (ii) is accepted the budget would be amended as set out in paragraph 8.
- iv. Note the pay policy statement 2023-24 (**Appendix 5**)

DETAIL

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

1. There are no changes proposed to the Investment Plan, outside of the investment plan the costs of borrowing have been updated to reflect the latest rate forecasts and borrowing strategy.
2. A proposed decrease in core allocation is included in the budget as a result of reduced activity in the later years of the investment plan.
3. This report sets out the Budget for 2023-24 and the medium-term financial plan (MTFP) for the period to March 2027 (the Budget). 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 will have a total of £816.6 million available funding resources. This comprises £646.2 million funding to be received in the period and £170.4 million of borrowing. In addition to this the Authority will utilise £76 million of usable reserves during the period

Investment Plan

6. In July 2022 Cabinet approved a refreshed Investment Plan. Within the refresh there was a strong focus on communities and place with investment in community safety, supporting local businesses, transport, skills, and the proposed designations of two new Mayoral Development Corporations. It also included a proposal to explore the creation of a Tees Valley Energy Company (TVEC), which will offer sustainable, green, and stable energy prices for Tees Valley businesses.

7. During the consultation period a proposed amendment to the investment plan has been put forward from Redcar & Cleveland Borough Council. The request is for £5 million in total to form part of an overall funding mix to provide a modern Sports Village on the current Eston Leisure site and would facilitate a £15.6 million overall scheme, drawing funding from – Football Foundation £3.4m, RCBC £7.2m and TVCA £5.0m to deliver the following:
 - Modern Swimming pool provision
 - Enhanced Herlingshaw indoor 3G football provision with classroom facilities
 - External 3G pitches and Play Zone facilities
 - Redesigned road and car parking arrangements
 - Site boundary trim track
8. This proposal has not been incorporated into the figures within this report, if approved by the Cabinet, savings will need to be identified if the Investment Plan is to be delivered within the agreed borrowing envelope.
9. In the Investment Plan refresh report, approved by Cabinet on the 22nd of July 2022, it was reported that there was an emerging priority for an improved bus service in East Cleveland.
10. A bus service specification has been agreed with Redcar and Cleveland Borough Council and TVCA has undertaken a procurement to appoint a supplier for one-year. The service is made up of two-routes and the total contract price is £390,000.

Economic Outlook

11. The economic backdrop during the financial year to date continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.
12. Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.
13. Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September volatility in financial markets led to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.
14. Our treasury management advisors, Arlingclose, expect gilt yields to remain broadly steady despite the Monetary Policy Committee's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.

15. Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. Bank of England bond sales will maintain yields at a higher level than would otherwise be the case.

16. 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.

17. 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

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	66,762	147,108	64,882	64,882	64,882	124,002	532,518
Education, Employment & Skills	44,017	39,965	38,928	38,086	38,086	75,792	274,874
Business Growth	79,898	31,345	19,862	6,330	3,021	5,331	145,787
Culture & Tourism	21,915	22,445	6,717	1,600	0	0	52,677
Innovation & Clean Growth	65,800	5,250	2,487	0	0	0	73,537
Place	31,058	28,241	29,449	17,500	2,500	0	108,748
Investment Plan Total	309,450	274,354	162,325	128,398	108,489	205,125	1,188,141
Concessionary Fares	15,985	15,985	15,985	15,985	15,985	31,972	111,897
Commercial Projects	54,692	54,326	0	0	0	0	109,018
Research & Evaluation	122	102	0	0	0	0	224
Core Running Costs	5,294	5,294	5,894	4,794	4,794	10,188	36,258
Costs of Borrowing	3,408	9,268	21,411	23,741	25,442	52,893	136,163
TOTAL EXPENDITURE	388,951	359,329	205,615	172,918	154,710	300,178	1,581,701

19. 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.

20. In addition to the previously reported changes the below table sets out changes over the full investment plan period since the quarter 2 report as at the end of September. These are an increase in costs of borrowing as a result in increased interest rates partly offset by a reduction in core costs. This leaves a net increase in £7 million across the investment plan period which will be funded from amendments to funding assumptions set out later in the report.

	Costs of Borrowing	Core Running Costs	TOTAL
	£'000	£'000	£'000
Increase in Interest Rates	9,855	0	9,855
Core Cost Adjustments	0	-2,000	-2,000
Total	9,855	-2,000	7,855

Transport

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	66,762	147,108	64,882	64,882	64,882	124,002	532,518

21. 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”.

22. 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.

23. The CRSTS period concludes in 2026/27, 2 years prior to the end of the Investment Plan period. For investment planning purposes it has been assumed that the equivalent level of funding will be available for investment within these final 2 years, however this will not be committed to until confirmation of funding is received.

24. In common with many other organisations, TVCA is having to manage unprecedented levels of inflation currently being experienced in the construction industry. This is a particular challenge with the City Region Sustainable Transport Settlement (CRSTS) programme, where TVCA is carrying the financial risk. Project estimates do include a contingency allowance, but these were developed prior to

this recent high inflationary period. The CRSTS programme runs until 2026/27 and it is of course unknown what the rate of inflation will be in the medium-term.

25. Whilst this risk can be dealt with by phasing the delivery or value engineering projects that are at the earlier stages of development, it is more challenging with projects that are at a more advanced stage of development. Whilst these projects are being robustly managed and every effort is being made to bring them in on budget, there are identified cost pressures on the Darlington and Middlesbrough Station projects and the Local Cycling and Walking Infrastructure Plan projects currently in delivery. Further work is required to quantify any potential impact on the CRSTS programme and funding strategies have been developed for each project, which include exploring securing additional external funding where there is the potential to do so. For all these projects, sensitivity tests have been carried out as part of the business cases and a potential increase in costs is unlikely to change the value for money assessments, meaning they remain good value investments.

Transforming the Tees Valley Rail System

26. 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.
27. Cabinet has previously approved significant 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 over £78 million (£58 million within this report period) has been earmarked as TVCA's contribution to major transformation projects to improve capacity at Darlington, Middlesbrough and Hartlepool stations and this sum is expected to leverage £100 million of additional funding.
28. The Darlington Station Final Business Case (FBC) has been submitted to Government and funding approval is expected in 2022, with construction due to commence in 2023 and the project completing by May 2024.
29. Phase 1 of the Middlesbrough Station project, the extension of platform 2, started on site in December 2020 and completed in May 2021. Development work has progressed on the other phases of the project, including redevelopment of the station undercroft and the new platform 3. Redevelopment of the undercroft is currently on site with completion in 2023.
30. 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. The project is currently on site and is scheduled to complete in advance of Tall Ships.

31. The Eaglescliffe Station project (£8 million TVCA investment with £7.5 million in this report period) will provide a new fully accessible pedestrian footbridge, which 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 and also improved access to the industrial estate and nearby new residential development. Work on Stockton Borough Council led highway improvements and access road have started, work on the car park will commence shortly and the TVCA sponsored footbridge improvements are scheduled to start in Spring 2023.
32. 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

33. 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 the 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.
34. The A19 New Tees Crossing OBC has been submitted to Government. They requested additional evidence to further emphasise the importance of the scheme to wider priorities, specifically Teesworks and the Freeport. Further work is now being undertaken by National Highways to update the OBC and a decision is then needed from Government to commit to the development of an FBC for the scheme, which is anticipated in spring 2023.
35. The A689 Corridor improvements OBC has been submitted to Government. The package consists of junction improvements along the corridor to address congestion and cycleway/footway improvements to create a traffic-free shared use route on the corridor from Sedgfield to Hartlepool. The scheme was identified in the Growth Plan 2022 and TVCA understands a decision on the OBC approval will take place by the end of 2022.

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

36. TVCA, the local authorities and the regional bus operators have now formally entered an Enhanced Partnership and are working collaboratively to deliver the Bus Service Improvement Plan (BSIP).
37. The BSIP is focussed on five ambitions, which are:
 - decarbonisation – one of the first regions in the UK to have an entirely zero emission local bus fleet;
 - fares – simpler fares and targeted promotions to drive passenger growth;
 - customer experience – putting the needs of customers at the heart of service delivery and improving information provision with one brand identity;

- infrastructure – new infrastructure investment to prioritise bus on core corridors and improve passenger experience; and
- network – a collaborative approach to ensure a sustainable bus network.

Making Cycling & Walking the natural choice for shorter journeys

38. 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 is entirely consistent with the national ambition and has received positive feedback from Government. The plan is underpinned by analysis, which identifies the priorities for investment, with a focus on those corridors where there is the greatest potential to encourage people to walk or cycle to work, school or to access essential services.
39. The package will be complemented by a programme of activity delivered through five active travel hubs to encourage cycling and walking, including personalised advice, training, better information, and positive incentive programmes.
40. Delivery of the phase 1 schemes on Linthorpe Road in Middlesbrough and Woodland Road in Darlington is now complete and other schemes across the Tees Valley are progressing at pace.
41. TVCA have successfully secured additional money from the Active Travel Fund tranche 2 and 3 funding bids and from the Capability and Ambition Fund to support the delivery of our programme and have submitted a bid to the Levelling Up Fund to further speed up delivery of our proposed network and we will be seeking to secure further funding from the Active Travel Fund tranche 4 programme which is expected to be launched shortly by Active Travel England.

Ensuring everyone can access opportunity

42. 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.

Positioning the Tees Valley at the forefront of decarbonising transport

43. 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 there is a current live competition to identify projects.
44. TVCA is also committed to delivering a step-change in the provision of electric vehicle charging infrastructure. The initial roll-out is focussed on publicly accessible

car parks with installation of the first 34 sites scheduled to complete by the end of 2022.

Putting Tees Valley at the heart of the digital transport revolution

45. 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;
- interventions to encourage, support and incentivise people to use active travel and public transport; and
- 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

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

Education, Employment & Skills

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	44,017	39,965	38,928	38,086	38,086	75,792	274,874

47. The Investment Plan includes a range of externally sourced and devolved funding streams. This includes final allocations for a European Social Fund project-Skills for Growth that supports small to medium businesses to undertake workforce training needs analysis and secure appropriate training to upskill their workforce. Careers Education for schools and Apprenticeship Grants for businesses continues to be delivered utilising the previous investment plan allocation.

48. The new Education, Employment and Skills Strategy was approved by Cabinet in July 2022. The associated TVCA Delivery Plan and investment required is in development and approval delegated to the Chief Executive in consultation with the elected mayor and cabinet portfolio lead. is in development. The delivery plan will consider the skills and employment gaps in the current service provision and plan for changes to the skills system to ensure local people can access the new jobs being created, including those in emerging sectors, such as clean energy.

49. Adult Education functions were devolved from August 2019 and cabinet approved to award the full £30.6 million devolved budget for academic year 2022/23. Thirty-one training providers continue to deliver training for adults looking to seek work and for those in low paid work.

50. To support more people in work to access fully funded training the wage threshold for low paid employees to access this training was increased to £27,040 p.a. Cabinet also agreed to enable the devolved budget to be utilised for first steps engagement learning to support those most distant from the labour market and to include support for those socially isolated and/or requiring engagement activities for supporting their mental health. These services are supplied with a view to offering progression learning where appropriate.
51. An additional £5.8 million (£3.3 million in the period covered by this report) has been secured to deliver more L3 training and deliver employer led skills bootcamps. Delivery of both these programmes is well underway.
52. The £3.6 million Multiply programme; an integral part of the UKSPF has been launched and delivery planned to commence in December 2022. This will provide numeracy training and activities to assist those people who find working with numbers challenging and for those people wishing to gain formal qualifications in numeracy and maths.

Business Growth

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	79,898	31,345	19,862	6,330	3,021	5,331	145,787

Teesworks Site Projects

53. The Investment Plan allocated £56.5 million to the South Tees Development Corporation for development of the [Teesworks site](#) has now all been expended. The Teesworks site is the UK's largest and most connected industrial zone, home to diverse, sustainable, and low-carbon activity. The land has been acquired as part of the Compulsory Purchase Order (CPO) process, £125 million of funding secured from Central Government (£18.4 million in the period covered by this report), acquisition of South Tees Site Company Ltd into local control from the Department of Business, Energy and Industrial Strategy (BEIS) and development activity is underway on the site with a strong focus on local labour and supply chains to enable the site development.
54. In June 2021, BEIS approved additional expenditure of £20 million to support the development of the Teesworks Offshore Manufacturing Centre. The funding was awarded to assist in the remediation of the proposed offshore wind site to accelerate works and bring forward the construction of the centre.

Infrastructure Projects

55. Boho “The Digital City” project (£26.5 million of which £15 million is within the period of this report) has been confirmed utilising existing Business Growth infrastructure budgets (£20 million) and Middlesbrough Borough Council Indigenous Growth funding (£6.5 million). The project is designed to create a digital campus which will ensure that Tees Valley becomes a recognised centre for digital media investment both nationally and internationally. It will provide the environment for businesses to design, enable, create, and grow new digital opportunities and put Middlesbrough at the heart of the most important and rapidly evolving industries in the world.
56. The £20 million ‘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 £11.6 million had been incurred on delivery with the remaining £9.4 million to be incurred during this report period. The range of projects within the programme will act as a key catalyst to promote, attract a sustainable visitor economy as part of its wider place-based regeneration plans for the Borough in line with national policy. The first two projects within the programme are currently in progress, Regent Cinema and Guisborough Town Hall, with further call offs expected shortly.
57. Stockton’s allocation of £20 million, £16.4 million within this report, will be utilised to deliver the vision for Stockton Town Centre which 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 whilst creating a space that enables diversification of uses through a combination of public and private investment, capitalises on the proximity of the River Tees as a significant natural asset and creates investor confidence through increased footfall and new uses.

Business Support Programme

58. Tees Valley Business has continued to support businesses via the website, email portal, telephone and directly through business 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.
59. Business growth support for SME’s (Small and Medium Enterprises) is currently funded through a £14.65 million, £9.9 million of which is within this report, ERDF (European Regional Development Fund) programme and includes a £12 million allocation for grant support, available to SMEs until June 2023; grant intervention can be delivered up to 55% for business improvement projects. To date, 353 applications have been approved to the value of over £6.9 million, generating £6.17 million in private sector match funding and creating/safeguarding 995 jobs. A further 24 applications are in assessment, to the value of £804k and expressions of interest to the value of £2.5 million are in the pipeline.

60. A broad range of products are available to support businesses including the SMEs Energy Efficiency Scheme (SMEEs) which provides businesses with energy audits and advice as well as access to capital grants for works undertaken to reduce emissions and lower energy consumption.
61. Originally a £2 million ERDF funded scheme, the authority was able to secure a further £592k of ERDF funding which will open the scheme to an additional 64 businesses. To date, 111 Tees Valley SMEs have been provided with advice and support, 122 energy audits have been completed and 20 grants to the value of £335k have been approved. This will generate £457k of private sector match and achieve carbon savings of over 540 tonnes. The increase in energy/fuel costs is increasing demand for the programme which has already been heavily subscribed and the intention is to extend the support available through a drawdown of £0.5 million from the indicative UKSPF allocation.
62. Additional support to businesses has been provided through the continued delivery of the £3.3 million ESF Skills for Growth which has engaged with 341 businesses, completed training needs analysis with 235 of these which has resulted in 751 individuals commencing training.
63. A successful bid to the Community Renewal Fund saw the opportunity for over 65 organisations to engage with the £826k Tees Valley Business Challenge – Supply Chain Project. This offered a range of support activities to prepare businesses to access supply chain opportunities, including grants awarded to the value of £300k towards external support to address barriers that prevented businesses from accessing the supply chain opportunities.
64. The Tees Valley Large Capital Grant scheme has defrayed £4.0 million to date this year against private sector capital investments in excess of £10 million supporting the creation and safeguarding of over 400 jobs. A further £8 million of grant support has been approved subject to due diligence against private sector investments which will create and safeguard over 800 further jobs. The pipeline of applications currently being process is strong it is forecasted that the funds will be fully defrayed fully against private sector investments by 2026.

Creative Place

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	21,915	22,445	6,717	1,600	0	0	52,677

65. The Investment Plan allocation for Culture & Tourism Programme of activity is £20.5 million of which £17.7 million is within the periods contained in this report. The initial investment priorities were set out in the Investment Plan and a number of projects have already received approval through Cabinet or via delegated decision in line

with the Assurance Framework. At the Cabinet meeting in November 2020 members approved a programme of activity, to enable the delivery of a Growth Programme for the Creative & Visitor Economies. The report incorporated the recommendations of the independent Cultural Industries & Visitor Economy Recovery Task Force and describes a programme that will be focused on economic recovery, regeneration and growth through the sustainable development of the creative and visitor sectors. The Business Case was approved in June 2022.

66. To-date, programme investment has included:

- Recovery Programme (£1.1 million): targeted interventions to support the resilience and recovery of cultural industries and hospitality sector businesses in direct response to the challenges experienced during the pandemic. Activity included grant funding as well, procurement and TVCA-led activity.
- Bid development support: grants of up to £10k for organisations working to apply to join Arts Council England's National Portfolio for the first time. Seven applications were submitted and three were successful, collectively being awarded £525k annually for the next three years.
- Festivals Scale-Up Programme (£2 million over 4 years): multi-year investment and business development resource to support the growth and sustainability of nine indigenous festival businesses delivering flagship annual festivals in the region.
- Sector Networks & Skills (£580k over 4 years): proposals were invited from sector businesses to address the lack of impactful regional network and visible professional development opportunities for people at all stages of their career. Five projects will be supported across four financial years.

67. The first of two open calls are now live, inviting proposals for investment in projects which contribute to the objectives of the 'Sector Growth and Sustainability' pillar of the Growth Programme for the Creative & Visitor Economies. Collective investment of £750k across the two calls is projected and will support projects to be delivered until 2025/26 financial year.

68. Under the 'Festivals & Events' programme pillar, £2 million has been committed to delivery of the Tall Ships event in Hartlepool in 2023 and £1 million has been ringfenced to support the realisation of celebrations to mark the bicentenary of the Stockton & Darlington Railway.

69. An Investment Plan allocation of £20 million (£18.2 million in the period covered by this report) has been provided for Darlington Councils priority project, a major capital scheme which will establish a Railway Heritage Quarter, 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 in order that it can be a central part of the bicentenary celebrations of the birth of the Stockton & Darlington Railway in 2025.

70. The £20 million Hartlepool Waterfront project (£16.6 million in the period covered by this report) will create a 'destination' at the waterfront, encouraging growth in visitor numbers; overall, 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 whilst leisure facilities will be constructed along with external event space and improved public realm.

Clean Growth and Innovation

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	65,800	5,250	2,487	0	0	0	73,537

71. Our £19 million 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 which help develop the wider supply chains.
72. Key projects include support for a bioscience incubator at central park in Darlington, the net zero 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.
73. The programme is leveraging national funds wherever possible to maximise the impact for the Tees Valley. The region has been selected to participate in the InnovateUK launch pad programme, which will see £7.5 million invested in stimulating innovation activity focusing on clean growth, TVCA has invested £4 million in CPI to help develop their Novel foods innovation activities which in turn will bid into central government for further funding and supported The Materials processing Institute to secure over £20 million of funding to support their work on the transition to a net zero economy. The region has also been successful in bring the DfT’s hydrogen Transport Hub to the region with over £20 million of hydrogen related infrastructure and trails
74. TVCA is delivering £8 million of Housing Retrofit schemes within the Tees Valley. A £4.9 million Social Housing Decarbonisation Fund scheme, and a £3.2 million Home Upgrade Grant scheme. This funding was secured with support from the North East and Yorkshire Net Zero Hub. The schemes will be completed in March 2023.
75. TVCA has secured £300,000 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.
76. The BEIS-funded North East and Yorkshire Net Zero Hub, which TVCA is the accountable body for, has completed delivery of the £53 million Green Homes Grant LAD2 programme across 24 of its 31 local authorities.
77. The Hub has secured additional funding of £1 million for its core activities from until September 2023 and indicative funding up to March 2025, in addition to its total core funding to £3.1 million 2018 to date. It is has completed delivery and is evaluating of a £2 million Rural Community Energy Fund Programme, which will

soon be evaluated. In 2022 it launched a £0.75 million Public Sector Decarbonisation Skills funding programme.

Place

Investment Plan	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	31,058	28,241	29,449	17,500	2,500	0	108,748

78. Over ten years a total of £60 million (£52 million in the reporting period) has been allocated to create the Indigenous Growth Fund (IGF). Each of the five boroughs that make up the Tees Valley has distinct economic assets and opportunities, and it is essential that we can unlock these opportunities for residents of the whole of the Tees Valley.

79. A programme business case has been developed and approved for the fund and the constituent authorities are currently bringing forward proposals to call off funding from the programme.

80. Six projects have been approved for funding committing £27.3 million (46%). These include:

- Supporting the acquisition of key assets in Stockton & Darlington as part of the wider Town Centre redevelopments;
- Darlington Railway Heritage Quarter;
- Kirkleatham Walled Garden & Catering Academy (completed); and
- Boho 8 & X in Middlesbrough.

81. Projects currently in development will commit a further £21.5 million. Projects include:

- Redcar & Cleveland - Town Centre improvements around Loftus, Saltburn and Eston (LUF bid), along with improving East Cleveland rail connectivity.
- Hartlepool - projects to support both Town Centre and cultural space improvements.
- Darlington - the refurbishment of Market Hall will support the wider programme of works under their Towns Deal.

82. Pipeline projects are being considered to commit the remaining balance of the IGF.

83. The Authority was awarded a further £7.4 million of Brownfield Housing Fund in February 2022, taking the total programme funding to £26.7 million (£19.5 million of which is contained within this report period). Seven projects are currently in delivery (one has been completed) under this programme with a further three projects in development. £20.5 million of this fund is contracted and to be delivered within the period 2021 to 2025. A further £3.7 million is committed to schemes in

development, leaving £2.5 million currently uncommitted. The programme fund must be fully defrayed by March 2025.

Expenditure outside the Investment Plan

Concessionary Fares

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	15,985	15,985	15,985	15,985	15,985	31,972	111,897

84. The Concessionary Fares budget is negotiated with bus operators annually and is fully funded by contributions from the constituent authorities. The budget for future years has been estimated based on 2022/23 agreements however this is subject to change based on future negotiations.

Commercial Projects

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	54,692	54,326	0	0	0	0	109,018

85. 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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	122	102	0	0	0	0	224

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

CORE COSTS

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

88. The core budget for 2023/24 will remain at the same level as 2022/23 with inflationary and staff cost pressures managed within the current budget envelope.

89. As the levels on investment reduce in the later stages of the investment plan the requirement for core service support of these investments will also reduce. As a result of this the core budget is reduced by £0.5 million per year from 2025/26. This however will be kept under constant review and if, as in recent years, additional funding is secured to increase the level of investment in these later years the level of core resources will be retained.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core costs	5,294	5,294	5,894	4,794	4,794	10,188	36,258

90. The table below sets out the core costs budget for 2023/24 and the previously agreed budget for 2022/23.

Core costs	2022/23	2023/24
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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
TOTAL EXPENDITURE	5,294,203	5,294,203

Cost of Borrowing

91. 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.
92. 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.
93. 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-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	1.00	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	1.00	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	1.00	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	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%

94. Based on the scenario modelling, which reflects prevailing and forecast rates, the increase in costs of borrowing over the investment plan period is £9.9 million. The latest borrowing requirements and repayments are set out in **Appendix 2**.

FUNDING

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

Funding	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	388,951	359,329	205,615	172,918	154,710	300,178	1,581,701

Funding Source	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 – 28/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Devolution	15,000	15,000	15,000	15,000	15,000	30,000	105,000
Enterprise Zones	3,010	5,562	5,882	6,036	6,221	12,823	39,534
Transforming Cities Fund / CRSTS	60,255	62,436	62,436	62,436	62,437	124,000	434,000
Loan Repayments & Investment returns	3,833	8,185	6,583	7,380	7,835	18,431	52,247
Government Grants	85,860	28,473	33,530	9,911	9,011	12,691	179,476
Adult Education Budget / Level 3	34,247	34,471	34,471	34,471	34,471	68,940	241,071
Concessionary Fares	15,985	15,985	15,985	15,985	15,985	31,972	111,897
Borrowing	124,951	117,291	29,034	22,054	2,055	0	295,385
Movement -to / from reserves	45,810	71,926	2,694	-355	1,695	1,321	123,091
Total	388,951	359,329	205,615	172,918	154,710	300,178	1,581,701

Devolution

96. Funding of £15 million 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

97. 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.

98. 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

99. 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.

100. The City Region Sustainable Transport Settlement (CRSTS) is the successor to the Transforming Cities Fund and has seen the annual average funding increase from £15.1 million to £62 million following a successful bid to DfT. The Authority has been awarded £310 million to invest in local transport networks to improve the quality of local transport networks over a 5-year period which commenced in 2022/23.

101. The current settlement received from DfT concludes in 2026/27, we have assumed within the Investment Plan that this funding would continue beyond this settlement period at its average annual to the end of the Investment Plan period.

Loan Repayments & Investment Returns

102. 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 £52 million 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

103. 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 £46.3 million, Brownfield Housing £19.5 million, Offshore Wind £20 million, STDC Development £18.3 million, £12 million European Funded Grants, along with a number of other specific project grants.

104. 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 2023/24.

Adult Education Budget

105. 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

106. 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

107. The Combined Authority holds two classifications of usable reserves these are non-ring-fenced funds which have been received but not yet applied and the General Balance Reserve. The Combined Authority manages overall resource requirements by reference to the MTFP and overall Investment Plan.
108. At April 2021 the balance of usable reserves was £131.7 million which was reduced through drawdowns by £7.4 million in 2021/22 leaving a balance at April 2022 of £124.3 million of available funds held in reserve, and it is forecast that this will reduce by £45.8 million within the year to give a balance of £78.5 million at the end of March 2023. The full balance of usable reserves will be utilised throughout the investment plan period to support the delivery of the investment plan, as set out in the table in paragraph 77.
109. 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 £1.058 million.
110. 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 £0.5 million, however management has decided to not amend this from the current reserve of £1.058 million.

DEVOLUTION DEAL FORWARD FUNDING

111. As part of the devolution deal Government agreed to provide the Combined Authority with a devolved fund of £450 million. Although this funding is released by Government on an annual basis of £15 million 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.
112. 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.
113. 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

114. 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.
115. 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 2**.
116. Within the MTFP period the total CFR to deliver the Investment Plan and fund commercial projects is £170 million (of which £117 million is forecast for 2022/23) as part of a wider borrowing requirement of £457 million over the Investment Plan Period of 2019 to 2029, details of which can be found at **Appendix 2**. This is well within the Government agreed borrowing caps of £774 million.
117. The repayments for the borrowing are affordable and can be financed from revenue funding received both during and beyond the investment plan period.

MEDIUM TERM FINANCIAL PLAN 2023-27

118. Funding and expenditure for the plan period, including the final 2023/24 budget is summarised in the medium-term financial plan as set out in **Appendix 3**.

FINANCIAL IMPLICATIONS

119. 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

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

RISK ASSESSMENT

121. 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.
122. 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

123. Formal consultation was undertaken in the period 9th December to 6th January. This is in addition to circulation of this report to Local Authority Directors of Finance, Tees Valley Management Group and Chief Executives.

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Forecast expenditure on investment plan

Project	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A689 Wynyard Corridor Improvements	75	3,582	0	0	0	0	3,657
Billingham Station	100	0	0	0	0	0	100
Bus Capacity Fund	168	168	0	0	0	0	336
Bus Improvement Corridors	0	3,747	0	0	0	0	3,747
Bus Partnership	36	3,000	0	0	0	0	3,036
CRSTS Development Fund	700	2,446	2,447	2,447	2,447	0	10,487
Darlington Station	7,105	13,341	0	0	0	0	20,446
Demand Responsive Transport	909	0	0	0	0	0	909
Eaglescliffe Station Western Gateway	1,925	5,545	0	0	0	0	7,470
Electric Vehicles	2,175	0	0	0	0	0	2,175
Hartlepool Station	9,131	3,273	0	0	0	0	12,404
Hartlepool Western Growth Corridor (Elwick Bypass)	0	3,108	0	0	0	0	3,108
Hydrogen Transport	0	1,997	0	0	0	0	1,997
Inward Investment Allocation	0	0	0	0	0	5,800	5,800
Local Cycling & Walking Infrastructure Plan	8,526	0	0	0	0	0	8,526
Local Transport Fund	124	0	0	0	0	0	124
Local Transport Plan	16,578	0	0	0	0	0	16,578
Middlesbrough Station	2,805	22,608	0	0	0	0	25,413
Project Development Pot	216	0	0	0	0	0	216
Tees Crossing & Portrack Relief Road	0	0	0	0	0	34,360	34,360
Teesside Airport	13,296	19,615	0	0	0	0	32,911
Transport Capability Fund	1,219	0	0	0	0	0	1,219
Urban Traffic Management	1,500	1,500	0	0	0	0	3,000
Wheels 2 Work	174	174	0	0	0	0	348
Integrated Transport Plan - To Be Allocated	0	63,004	62,435	62,435	62,435	83,842	334,151
Transport Total	66,762	147,108	64,882	64,882	64,882	124,002	532,518
Education, Employment & Skills Strategy incl Adult Education Budget	37,619	38,508	37,471	37,896	37,896	75,792	265,182
Hartlepool Centre of Excellence in Technical Training for the Creative Industries	89	0	0	0	0	0	89
Kickstart	1,160	0	0	0	0	0	1,160
One Vision Pilot	88	0	0	0	0	0	88
Skills Analyst	13	0	0	0	0	0	13
Skills Capital	486	0	0	0	0	0	486
Skills Bootcamps	3,285	0	0	0	0	0	3,285
Multiply	1,097	1,267	1,267	0	0	0	3,631
North East Screen	180	190	190	190	190	0	940
EES Total	44,017	39,965	38,928	38,086	38,086	75,792	274,874

Project	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
BEIS Business Compass	246	0	0	0	0	0	246
BEIS Peer to Peer Network	370		0	0	0	0	370
Billingham Bio-Pharmaceutical Campus	132	0	0	0	0	0	132
Boho	8,456	0	0	0	0	0	8,456
Brexit Preparation Fund	76	0	0	0	0	0	76
Business Growth Programme	6,706	6,966	4,906	5,796	2,387	4,642	31,403
Central Park	3,650	0	0	0	0	0	3,650
Delivering Sector Action Plans Programme	0	0	0	194	294	689	1,177
Energy Efficiency ERDF Grant	526	300	0	0	0	0	826
ERDF Business Growth Fund	7,136	2,740	0	0	0	0	9,876
Faverdale (Phase 1)	0	50	0	0	0	0	50
Freeport	700	638	0	0	0	0	1,338
Ingenium Parc - Phase 1	195	0	0	0	0	0	195
Kirkleatham Estate Investment Project	0	228	0	0	0	0	228
Local Industrial Strategy	241	0	0	0	0	0	241
North East Screen	340	340	340	340	340	0	1,700
Offshore Wind	20,000	0	0	0	0	0	20,000
One Public Estate	227	227	0	0	0	0	454
SSI Task Force Programmes	4,729	6,242	0	0	0	0	10,971
STDC Business Case	18,316	0	0	0	0	0	18,316
Stockton High St	4,846	4,358	7,216	0	0	0	16,420
Tees Valley Business Challenge	384	0	0	0	0	0	384
UKSPF Projects	0	3,000	6,900	0	0	0	9,900
Welcome to Redcar & Cleveland	2,622	6,256	500	0	0	0	9,378
Business Growth Total	79,898	31,345	19,862	6,330	3,021	5,331	145,787
Culture & Tourism Programme	4,000	7,000	6,717	0	0	0	17,717
Culture: Rugby League World Cup Bid	105	0	0	0	0	0	105
Hartlepool Waterfront (incl NMRN)	6,993	8007	0	1,600	0	0	16,600
Museum of the Royal Navy	25	0	0	0	0	0	25
Stockton & Darlington Railway Heritage	10,792	7,438	0	0	0	0	18,230
Culture Total	21,915	22,445	6,717	1,600	0	0	52,677
Bio / Life Science Innovation Support	2,000	2,000	0	0	0	0	4,000
Carbon, Capture & Storage	50	0	0	0	0	0	50
Darlington Hybrid Innovation Centre	2,800	0	0	0	0	0	2,800
Digital Cyber	240	1,614	0	0	0	0	1,854
Energy Network	1,491	0	0	0	0	0	1,491
Green Homes Grant	45,258	0	0	0	0	0	45,258
Hydrogen Transport	0	0	1,875	0	0	0	1,875
Low Carbon Action Plan	9	0	0	0	0	0	9

Project	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 +	TVCA TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Zero Innovation Centre	6,113	202	0	0	0	0	6,315
Net Zero Teesside	263	0	0	0	0	0	263
Public Sector Decarbonisation	749	0	0	0	0	0	749
Residential Decarbonisation	722	0	0	0	0	0	722
Rural Energy Fund	217	0	0	0	0	0	217
Social Housing Decarbonisation	2,611	0	0	0	0	0	2,611
Sustainable Warmth Grant	2,977	0	0	0	0	0	2,977
Tees Valley Sector Networks	300	819	612	0	0	0	1,731
To Be Allocated to Projects	0	615	0	0	0	0	615
Innovation & Clean Growth Total	65,800	5,250	2,487	0	0	0	73,537
Brownfield Housing	10,335	6,200	3,103	0	0	0	19,638
Car Parking	3,957	0	0	0	0	0	3,957
Indigenous Growth Programme	14,766	11,375	15,679	7,500	2,500	0	51,820
UKSPF Communities & Place	0	1,666	1,667	0	0	0	3,333
Place Based Investment Fund	2,000	9,000	9,000	10,000	0	0	30,000
Place Total	31,058	28,241	29,449	17,500	2,500	0	108,748
INVESTMENT PLAN TOTAL	309,450	274,354	162,325	128,398	108,489	205,125	1,188,141

Borrowing

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	124,951	117,292	29,034	22,054	2,055	0	295,386
		MTFP PERIOD			170,435		

	Bal c/f	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 2028/29	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing Required	161,284	124,951	117,291	29,034	22,054	2,055	0	456,669
Internal Borrowing	24,584	0	-7,000	-7,000	-4000	-3,000	-3,584	0
External Borrowing	136,700	124,951	124,291	36,034	26,054	5,055	3,584	456,669

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 2028/29	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Minimum Revenue Provision	2,653	5,022	8,062	8,989	9,805	20,826	55,357
Loan Interest	755	4,246	13,349	14,752	15,637	32,067	80,806
		MTFP PERIOD			79,862		

Medium Term Financial Plan 2023-27

MEDIUM TERM FINANCIAL PLAN	2023/24	2024/25	2025/26	2026/27	TOTAL
	£'000	£'000	£'000	£'000	£'000
Funding	170,112	173,887	151,219	150,960	646,178
Borrowing	117,291	29,034	22,054	2,055	170,434
TOTAL FUNDING	287,403	202,921	173,273	153,015	816,612
Investment Plan	274,354	162,325	128,398	108,489	673,566
Concessionary Fares	15,985	15,985	15,985	15,985	63,940
Commercial Projects	54,326	0	0	0	54,326
Research and Evaluation	102	0	0	0	102
Core Running Costs	5,294	5,894	4,794	4,794	20,766
Cost of Borrowing	9,268	21,411	23,741	25,442	79,862
TOTAL EXPENDITURE	359,329	205,615	172,918	154,710	892,572
TRANSFER TO / FROM RESERVES	-71,926	-2,694	355	-1,695	
Reserves Opening Balance	78,530	6,604	3,910	4,265	
Transfer To / From Reserves	-71,926	-2,694	355	-1,695	
RESERVES CLOSING BALANCE	6,604	3,910	4,265	2,570	

Tees Valley Combined Authority Overview and Scrutiny Committee: Budget 2023-24

The Combined Authority is required to set out its Budget on an annual basis and to consult publicly before the Budget receives final approval by Cabinet.

The Overview and Scrutiny Committee has previously established the practice of convening a Finance and Resources sub-committee - made up of the committee's Vice-Chair and other members - to scrutinise the Budget in more detail, conduct a full analysis of the draft documents and contribute to the consultation process.

This report details the findings of the sub-committee and their consultation response to be provided to Cabinet at its meeting on 27th January 2023.

BACKGROUND

1. The Overview & Scrutiny Committee agreed at its meeting on 13th September 2018 to establish the practice of convening a standing Finance and Resources sub-committee chaired by the Committee Vice Chair in order to focus on Combined Authority budget arrangements in detail when required, and to report back to the main committee.
2. The sub-committee is currently chaired by Councillor Sandra Smith (Redcar and Cleveland Borough Council) Vice-chair of the full committee. The other members of the group are Councillor David Branson (Middlesbrough Council), Councillors Mike Renton and Stephen Harker (Darlington Borough Council), Councillor Chris Jones (Redcar and Cleveland Borough Council), Councillor John Hobson (Middlesbrough Council) and Councillor Susan Jeffrey (Redcar and Cleveland Borough Council).
3. The sub-committee first met to scrutinise the Combined Authority Budget for 2023/24 on 8th December 2022, after being provided with the draft Budget upon its publication on Thursday 1st December 2022.
4. Tom Bryant, Assistant Director of Transport, and Infrastructure attended the first sub-committee meeting to answer more detailed questions regarding the transport spending proposals.
5. At this meeting Gary Macdonald, the Group Director of Finance and Resources walked the Members through the detail of the Draft Budget and Members asked questions where required.
6. A second meeting was held on Friday 16th December 2022 and those members that weren't able to attend the session were invited to submit questions or feedback into the Budget consultation electronically, for consideration and response.
7. Shona Duncan, Head of Education, Employment and Skills and Martin Waters, Business Growth Manager also attended the second meeting of the sub-committee to answer

more detailed questions regarding the spending proposals for the areas of Education, Employment and Skills and Business Growth.

8. Following these meetings, the members of the sub-committee agreed that they were satisfied that Officers had addressed their questions and now had a better understanding of the budget.
9. This report from the sub-committee has subsequently been drafted for presentation at the meeting of the Overview & Scrutiny Committee on 12th January 2023. This meeting will allow the full committee to review the findings of the sub-committee and put forward any final questions they may have.

DETAIL

The Finance and Resources sub-committee, acting with the authority of the Combined Authority Overview and Scrutiny Committee, are satisfied with the information provided by Officers with regards to the proposed Combined Authority Budget for the period 2023-24.

Whilst concluding that this budget be noted members would like to place on record the following observations:

10. As a public consultation, it would be helpful if the proposed Budget were promoted on the website for full consultation with the public.
11. Clarification was sought on the presentation of variations in figures in 'core costs' and the sub-committee probed for further understanding on the reasons for this. Officers have incorporated the feedback into the 'core costs' section to reflect the expectation that the organisation continues to secure funding and is continuing to support this growth with appropriate resource levels.
12. It was identified that £170.4m borrowing is expected over the MTFP period and it would be clearer to explain what it is to be used for in 2023-24 as a lot of the figure is front loaded.
13. There was particular interest in the Transport programme and associated investment. The sub-committee was keen to understand how plans will overcome the current barriers to joining up modes of transport across the Tees Valley but acknowledged that there is a wider national issue that is outside the Combined Authority control. Officers gave the sub-committee assurance there were methods in place to measure and monitor the impacts of each of the programmes.
14. The sub-committee considered the allocations for Education, Employment and Skills and were keen to understand how the demand for skills can be quantified for particular sectors given the current economic pressures and so the market isn't flooded with people with skills that are not linked to the expected job categories. Interest was also placed on the adult learning budget and the extent to which people are looking to retrain later in life.

15. The sub-committee requested further information on engagement with the business community and the nature of promotional activity used to raise awareness of the Business Growth support mechanism. The importance of targeting businesses with the right type of marketing was agreed and there was an emphasis on the future need to use data to track the journey of a business over the long term.

Questions and Answers

General

1. Consultees are listed but it's noted the public are consultees also, and so should this be added as a separate consultation on the website?

We will note this feedback. The Adoption of the Investment Plan, Budget 2023-24 and Medium-Term Financial Plan Cabinet report is published on the TVCA website.

2. In core costs, how many staff are accounted for, for the reduction, and from when?

It was acknowledged that the presentation of this item could equally have been managed by the inclusion of the anticipated growth in funding from the continuous cycle of funding rounds that the Combined Authority is involved in. The reduction in future year costs was around £0.5m, equating to approximately 10 full-time staff including on-costs from 25/26. Some of the timing is linked to a period of time for those funding sources and it is equally likely that new funding sources will be secured, and require resourcing, as has been the case in recent financial years.

3. In the Expenditure table on Page 4, core costs rise at 28/29. Why is this?

This is because it's for 2 full years (2027-28 and 2028-29) and is also due to election cost estimates which are £600k in that period.

4. What is the current establishment?

Including programmes and projects, which are time limited, about 140. Approximately 65% is on projects and programmes and 35% is on core.

5. If reducing core costs in the long term, is there an expectation of less money coming into the organisation?

This is the way it has been chosen to be presented as it is felt it's more transparent to say where we are, and that we will mitigate and manage that in how we secure future funding and sources. There is not an expectation of less money coming into the organisation and the presentation of such items could have also been shown with an additional income target.

6. Are you saying that in 25/26 you won't be making people redundant?

We've been successful to date in securing funding where people will provide support to deliver these projects. We have the capabilities in the teams to continuously develop

business cases and funding solutions going forward and there is no reason to expect we would be any less successful in the future. We can't guarantee this as there may be a possibility there is a need to deal with staffing issues but this would be linked to future funding needs ahead of time through our medium term financial planning processes.

7. From the draft Budget there is a feel of the organisation “running down”?

This isn't the case and quite the opposite as we're securing investment but need to be able to demonstrate how we're doing that. We wanted to show how we manage staffing and being careful about core costs. This feedback is helpful but wanted to show what the position is on how we manage projects and staffing, and we can look at this. We could build something in the Funding section on government grants that we will continue to secure as much funding as possible and are continuing to generate growth. Staff know they're trying to secure future funding and generate growth, and this is part of their job to generate income and growth for the region.

8. How is the Mayor's office funded?

It's not considered as a separate entity and is still captured under TVCA core costs.

9. Point 7 in the Report was referenced. A lot of this is front loaded, should it be made clearer the £170.4m borrowing is to be used over a few years and explain what is to be used for 23-24?

Thanks for this feedback which we have noted. The total funding for 2023-24 is shown alongside the total expenditure to provide clarity on money in and money out of the organisation for any given year. The borrowing contributes to the funding of our capital schemes and does not necessarily fund individual projects in their entirety as there are other sources of funding such as Government Grants.

10. Where does the economic assessment of the Tees Valley fit into this?

This Budget details the resources/allocations we have at our disposal and what they're deployed to, linked to economic plan. These are the allocations now and how we manage changes in the strategy to deliver what we need to happen. The Budget needs to be completed annually but isn't something that needs to stay static and it can react to circumstances, as long as changes are within the overall financial funding envelope. This is about economic growth and economic investment decisions. The purpose of being strategic is that it should be able to deal with shocks within individual financial years.

11. So, you can change the Investment Plan in future as it's not associated with the Budget?

The Budget is one year of the Investment Plan. Yes, the Investment Plan can be changed by unanimous decision, and we have elected members on the Cabinet from each LA so there is a process for decision-making in line with the Constitution.

Transport

12. Darlington Railway Station – when put together, the risks would have been different to where we are now due to inflation, especially that around construction. Will the risks built into it still be adequate?

Darlington is very close to signing the gateway so that will give more certainty, but this is a risk that will have to be managed through the programme as it is ongoing. As funding sources become available, we need to determine which is new and which is to manage a cost pressure. The proposed work for Darlington Station has been going on for a long time. DFT (Department for Transport) recognise the pressures across their whole programme so if we can evidence that we need more funding or if additional pipelines arise, we have got a good record with DFT and can demonstrate we are getting on and delivering.

13. In terms of rail projects, where projects are agreed, are you thinking of other funding?

We have tried to focus on fixing problems to existing stations and there has been talk of new stations though further work is required for that, and we are starting to think about this as it links to a strong pipeline of projects. We have a good working relationship with Network Rail, and this has helped speed up things with certain projects. The relationships with LAs need to maximise opportunities and we are information sharing and collaborating to get efficiencies and look for impacts / opportunities in other areas across the Tees Valley to have a Transport & Infrastructure joint meeting to get those parties together on things that are part of infrastructure.

14. Where are we with South Bank station as it's inaccessible?

We are looking at the platform and programme. We will provide more details on that to the whole Committee.

15. When will the work on South Bank station happen?

This is one of a long list of schemes across the country, and is still in the system.

16. Would there be more buses on routes where there are none, for example Gunnergate Lane, Marton and in Greater Eston where there are new houses with no transport link at all?

The bus industry has been hugely affected by Covid with passenger numbers decreased and now at 80/90% of where they were pre-pandemic. We have supported them to protect the network but for new services, where there isn't a service, it is difficult as they don't have the revenue to support services when they're deemed to be not financially viable.

17. How do they know it won't be financially viable when they've not tried it?

Operators have pressures with their current network, so they are less inclined to take risks on new services. We have tried to connect workers to shift patterns at Teesport (Service 101) and passenger numbers have increased, so we are hoping our subsidy could be

phased out on that in the future. We are happy to look at specific examples if information is provided to the team.

18. Is the 101 service being withdrawn? Not been promoted to local residents that they can use it as well.

We have helped fund it for a year and can continue to support with business for another year to enable it to become commercially viable and can then the hope is to step back from it. Numbers were reported to have gone up in the last month. I will speak with the bus operator on the communications of it to further promote it and the best way to reach the target audience.

19. If Tesco don't support this what will happen?

We don't want the 101 service to disappear so are working hard to secure a package for the next 12 months as it was intended to try to open the door for people to get jobs, but we need enough people using the service to make it commercially viable. We would like to do more of that, it's just where the funding comes from.

20. Point 34 - the last bullet point (network – a collaborative approach to ensure a sustainable bus network) surely needs to be the priority?

We agree with you, and this has already been addressed and the order has been changed in the Bus Service Improvement Plan (BSIP). It is about improving the network – a lot of areas have a good core network, but the peripheral areas are more difficult as operators don't see them as commercially viable. Need to look at the bus infrastructure more widely.

21. Isn't this a bigger problem than TVCA are being asked to look at, a national issue you can't fix?

Yes, it's a national issue and not just a bus issue. However, while we've not got all the answers, we have some ideas on how to progress across multiple areas. We understand how many people rely on a bus for transport, so we are doing everything we can to improve reliability, accessibility, frequency etc.

22. Woodland Road – the section on Duke Street is not complete.

The area on Woodland Road is complete, the other area received an objection and is not complete, with construction work to be completed after Christmas. We will confirm if Phase 1 is complete and wording in Report to be reviewed if necessary.

23. The path being done by Sustrans in South Bank to Normanby will exacerbate issues with motorbikes and quads and will make it easier for them to use it and no attention has been paid to the difficulties that might result afterwards. It's also a drug corridor from TS6 into other areas of Middlesbrough and beyond, from that path.

We have a good relationship with Sustrans so will pick this up with them.

24. How will walking and cycling routes be assessed as to whether they've achieved what was intended?

This will be achieved through active travel hub work, putting counters in to monitor use, working with schools/businesses etc. to promote getting people to walk/cycle more. We need to be able to monitor the impact as it is a government requirement since it's not just about the transport impact, but also about getting people into work, etc.

25. Do you have pre-figures (i.e. before intervention)?

Yes, so we will be able to measure and monitor the impact. The same is the case for stations, tracking use and connecting people to opportunities.

26. How long will funding for Wheels 2 Work last?

There is approximately 2 years left on the Cabinet approval.

27. Will you ask to extend again?

It's about impact so we will need to measure that first, but it is likely. Any further ideas on how to promote the scheme are welcomed as there is more capacity.

28. If we have the promotional tools, we could promote projects on social media.

We share this information with LA Communications teams but from what's said this doesn't seem to get to members. We will ask Communications teams to share with members.

29. Are TVCA running the UTMC (Urban Traffic Management Control) Control Centre?

Middlesbrough Council run it as the lead authority and we are providing strategic direction. We have a new Digital Transport Officer so have made advances on that. If anyone wants to know more on this area, get in touch.

30. Is the provision of electric charging infrastructure for a fixed term?

This is the first phase of investment – we've funded it and keep revenue in terms of users and are now doing a piece of work with all LAs on what's next for publicly accessible residential car parks.

Teesside Airport

31. How much did we invest in the Cargo facility?

£2.5m for the facility and the margins on freight are better. We brought in a specialist Freight Manager to develop the market opportunities in order to achieve the Airport forecasts.

Business Growth

32. Can the Teesworks Business Case be shared with the Overview & Scrutiny Committee as requested at the last Committee – can that be circulated?

We have passed this request onto the Scrutiny Officer to ensure this is actioned.

33. £56.5m has been expended so what is there left to spend on the Teesworks site and where is that coming from?

The financial plans and funding for STDCs obligations on Teesworks are funded from a combination of grants, additional secured grants (Teesside Offshore Manufacturing Centre and Freeport), and business rates to support borrowing.

34. How much borrowing is anticipated for Teesworks?

This is dependent on the development level on the site.

Education, Employment and Skills

35. How do you quantify, with some certainty, how many people you need in a particular sector given economic pressures?

TVCA officers use both direct feedback from communicating and building relationships with companies and utilising data published nationally and locally. Work is also carried out with sector skills council and connecting with local businesses through the Business Growth hub and various projects such as the ESF (European Social Fund) Skills for Growth Project which helps small businesses articulate their skills demand for the future. There are risks managing this as businesses do find it difficult to articulate their long-term workforce requirements. There is enough flex through the devolution deal for skills to deliver training over a period of time to gradually build the skills base up to address demand. Employers do often want this over a period of time. Smaller employers need the right partnerships, and find they often have a preferred provider and through working with them they can have those conversations directly to develop a skills offer for their business.

36. Do you have a sense in the region of demand in particular sectors and how many skills there are?

To some extent yes, but this constantly changes. We get a lot of annual data on the skills levels of Tees Valley residents and access a skills data cube that provides information about the learning being undertaken in the Tees Valley. This helps inform where the demand is, what's being undertaken and provided, as well as employment data. Local data appears to be a gap as it is held by various organisations, so we work with businesses and sector representative bodies to pull this together and we also look if there are changing requirements through the course of the year. We've worked with training providers to get learners through the door and are getting better outcomes for learners than prior to devolution. We actively performance manage all Training Providers which has also been welcomed. If demand increases, we can provide additional funding as required since in the first year not all devolved funding was issued. As part of the devolution deal we are able to roll this over year to year and therefore the funding is retained for Tees Valley.

37. Do you have a sense of what proportion AEB (Adult Education Budget) is of training providers budgets?

In most cases it would be most of their adult skills budgets for unemployed people. Some of the colleges have a commercial structure, so they can charge other organisations/businesses for training, but the bulk of adult training will be through this.

However, AEB will be a small proportion of the colleges' overall training budget, although this will vary from institution to institution.

38. In adult education are there people taking training not being funded through this process?

There are various eligibility rules in terms of access to funding – we utilise the flexibilities provided under the devolution deal to be as flexible as we can to encourage upskilling and help more people to undertake training. For example; if someone is already qualified in a certain area and they want to retrain at a lower level, they may have to fund that for themselves, or their employer may fund it for them. We'll fund for a high demand/growth area but, unfortunately, we can't do that for everyone as we have to target the support linked to need. We do support people who are unemployed or on lower wages (under £27k) who fall into this category.

39. Is that a small proportion?

If you take apprenticeships out of it, yes, it is.

40. To what extent is it that people are re-training later in life?

We have a pilot project in place working with the Grangetown Hub where they're identifying a group of people who want to have a career change following Covid-19, perhaps having taken redundancy or made unemployed. We are finding that some older people are, because of the economic climate, wanting to go back to work but not back into what they did previously. The project looks at what careers advice and coaching they may need to access their new careers. This is particularly the case for those that have been in heavy industries for most of their working life.

Business Support

41. It seems knowing where to get information on support mechanisms for business is unclear.

As the commissioning authority of UKSPF (UK Shared Prosperity Fund) it allows that strategic insight and influence allowing for joining everything up. Tees Valley Business has created a one-stop shop for SMEs to access support. We need to do further work on creating something clear and sustainable to the business community across the Tees Valley where businesses can go for support for funding/advice.

42. What kind of ongoing data do you collect on businesses that you've helped?

We have the data on where we have supported and given advice to businesses and in the Investment Plan for UKSPF we recognise the issue with Business Support is that it's a short-term engagement with a business. We want to have a longer-term relationship through its business journey for those businesses that have the high growth potential in various sectors. We are looking to move to a model as a key account management role and introduce the long-term engagement with specific businesses. We do have CRM software that tracks these interactions and can pull data from that. We have c18k registered businesses in the Tees Valley and as such, unfortunately can't have a real impact on them all but can give information, advice, hold webinars, do group work. For the local economy there are specific cohorts of businesses that can drive the economic growth of the area as they have such high growth potential and look to help and nurture them.

43. If engagement continues with a business and the business reaches a pinch point in the future, you could perhaps help fund or support that local business.

Yes, it would allow us to intervene and support at the earliest point where the support is required. UKSPF is not only about output but about what impact is being had on what we're trying to do.

44. Local complaints received in the South Bank ward were raised. Businesses want to buy/lease space from Teesworks but because they're not a new business they've been advised they can't.

It would be useful if you could share this information with us as we can take those enquiries and have those conversations.

45. 18k businesses in the Tees Valley – how proactive are you with those businesses?

We are generally oversubscribed or maximised in terms of capacity and calls often get oversubscribed quickly. In terms of expertise, knowledge and engagement, the team look at the proactive element rather than just relying on incoming calls. We have looked at supply chain events for SeAH, Net Zero Teesside – this type of activity is the active element. There is a lot of proactivity on events but also on themes of the types of support events – for example growing business (regardless of sector). We are interested in developing the feedback loop to determine whether we are doing the right types of events, support, registrations, hits etc. and getting feedback on how effective those are.

46. Is there a risk the same businesses come back repeatedly and those who do need the support may not know what is available?

We are thinking about an engagement piece and how to hit those areas and businesses we are perhaps not reaching, and marketing is being explored. Following the pandemic there has been a change in the level of engagement which has increased significantly and continues to do so. We've also got good networks with, for example, the Tees Valley Business Club, with good representation and broader reach who hold popular events with

200+ engaging to hear the topics with useful information and networking. The communications and interactions occur more in the business community.

47. Of the 18k, how do you know the businesses you've helped are the ones you should be helping?

There is always that element of risk where some people liaise with organisations more effectively than others, so we want to try to understand what we need to know and the mechanisms for doing that. There are some allocations in the budget that go to high growth areas and the need to target direct support. We need to design it the right way and get a feedback loop to see if what we're doing is of a good enough quality to inform what we're doing next.

Creative Place

48. Is there no expectation that the money will continue for Creative Place in the future?

Annabel Turpin is the lead representative for LEP (Local Enterprise Partnership) on Creative Industries and she was tasked, along with Charlie Kemp and the Creative Place team, with drawing up what the programme would look like in 3 years so this is more definitive to what it will have at that time, but we don't see it staying static and we will put in when we have those elements. This is what we set aside in the Investment Plan and as time passes and we secure more funding, the numbers start to increase.

Place

49. What stage are the 2 MDCs at in terms of being introduced?

Latest update is that they're going through what's in scope in terms of assets. The Group CEO will be having conversations with the respective LA Leaders. We have made a commitment not to make any decisions that will affect either LA's Medium Term Financial Plans (MTFP), so we need to do financial due diligence work on those assets once we know the scope of them and what that means in practice in affecting the LA MTFPs. The Secretary of State also conducts a consultation process post designation with stakeholders and with LAs. After that is complete, we would be looking at detailed implementation.

50. Where do Business rates fit into that if you've committed not to affect MTFPs?

Anything we do will be looking to improve the economy of the area and it's up to the relevant MDC Board to make assessment of these areas and how it can most effectively implement and risk assess proposals to ensure the commitments with LAs are adhered to. It depends on various factors that need to be considered to make an investment decision and will be planned over the medium term, but business rates will clearly be a factor alongside other funding sources.

Core Costs

51. In terms of pay awards where does TVCA sit?

We recognise the national pay and condition awards tied to Local Government.

52. Have you had the same issue as LAs underestimating what the pay award would be?

This doesn't have as significant impact for TVCA by comparison to Local Authority areas however we continue to monitor and manage any cost pressures within the financial envelope.

53. £9.9m in the increased cost of borrowing - what is the increase as a proportion of the total costs?

Around 16%.

Funding

54. How many years do we know that we have a budget for walking and cycling?

There is an element in the CRSTS (City Region Sustainable Transport Settlement) and that's for 5 years.

55. Is that amount determined by us or stipulated from elsewhere?

It was determined by us in the Business Case to Government.

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

This pay policy statement applies to the financial year 2023/24.

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	£172,550
Group Director of Business, Skills, Strategy and Policy	Group Director	£119,770
Clean Growth and Innovation Director	Group Director	£119,770
Group Exec Director of Finance & Resources	Group Director	£119,770
Group Chief Legal Officer	SM1	£84,034

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 2023/24 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 £10.90 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 November 2022, for employees within the scope of this statement.
16. The Combined Authority's current Median Hourly rate is £20.47 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 4.37.

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