

Independent Evaluation of Local Growth Interventions:

Tees Valley

Final Report ****Draft****



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Executive Summary

1. A series of Growth and City Devolution Deals have empowered local partners across the UK to design and deliver programmes to develop their local economies. As part of this approach to local economic growth, 'localities' across the UK including Tees Valley were awarded long-term investment funds.
2. After the first five years of the Investment Fund, the Government will undertake a Gateway Review to assess progress to date and decide on the next five-year tranche of funding. The Gateway Review will be informed by an evaluation undertaken by the independent National Evaluation Panel, which comprises a consortium of evaluators led by SQW. The headline findings from this evaluation are set out below.

The Investment Fund

3. In October 2015, Tees Valley Unlimited, the five local authorities and the UK Government signed the Tees Valley Devolution Deal. This Deal provided the basis for the creation of the Tees Valley Combined Authority (TVCA) and the 30-year, £450 million Investment Fund which is the subject of this evaluation. No specific economic growth objectives were defined at the level of the Investment Fund. Rather, the Investment Fund is an integral part of the Combined Authority's broader £588m Investment Plan and forms a key element of TVCA's 'Single Pot' approach.
4. Seventeen Investment Fund sponsored interventions are in scope for the evaluation. They cover a broad range of themes including education and skills, superfast broadband, innovation, physical regeneration and development, and culture/image/place-making. Importantly, and reflecting the flexibility which the Fund provides, the Investment Fund sponsored suite of interventions has evolved since the One Year Out evaluation report in early 2020. Seven 'additional interventions' have received/been approved to receive Investment Fund monies before the Gateway Review.

Expenditure

5. Expenditure to the end of June 2020 on the 17 interventions in scope was lower than planned at the Baseline Report stage (£65.7m, 83% of expected spend). However, there was a further £17.3m of expenditure on the 'additional interventions.' Therefore, across all interventions, total Fund expenditure stood at £83m by the end of Q1 2020/21. Two interventions account for 80% of all expenditure to date: Teesside International Airport; and the SSI land acquisition (actual Fund spend of £51.7m and £15m respectively).
6. TVCA made the strategic decision to borrow against the Fund in order to secure additional resource, which has been used to bring forward the delivery of larger, potentially more impactful projects with greater cumulative outputs and outcomes than would otherwise

have been the case. It has also brought forward spend. Total expenditure of £83m up until the end of June 2020 represents c.130% of the government grant provided to date.

7. Looking forwards, a further £53m of Investment Fund monies are expected to be spent by the end of the Gateway Review 1 period (up to the end of March 2021). In addition, more than £200m of expenditure has already been approved for beyond the first Gateway Review.

Delivery progress

8. The TeesAMP intervention is complete and the CA successfully concluded the purchase of Teesside International Airport in early 2019. However, it is still 'early days' for the majority of the remaining 'live' interventions. This reflects a combination of: intervention start dates which were often late in the Gateway Review period; delays in finalising designs and commencing construction; and relatively long delivery periods for the revenue-based programmes.

9. Delivery and outputs are on track for two of the sponsored interventions: TeesAMP; and Teesside International Airport. The latter accounts for 62% of total Investment Fund expenditure to the end of June 2020, so this is important in the context of the overall performance of the Investment Fund programme. Delivery across the remaining interventions has been delayed for a variety of reasons, including: lower than expected levels of initial demand; challenges in securing national match funding; and the impact of Covid-19.

10. Despite this, a wide range of outputs have already been achieved. These include safeguarding/creating over 400 jobs, supporting 340 people into work, engaging 886 businesses in careers programmes, and supporting 63 schools and colleges with careers related activity.

11. All interventions are expected to deliver against their core objectives, although there have been some changes in delivery to reflect expected shifts in the post-Covid-19 operating environment.

Economic impacts

12. It is too early to quantify *net* economic impacts in terms of new/safeguarded jobs and net additional GVA generated. However, there is encouraging *emerging* evidence on beneficial economic impacts:

- TeesAMP – the intervention successfully delivered 11ha of land remediated and 16,722m² of high quality advanced manufacturing floorspace on budget and (almost) on time. There are positive early signs of beneficial economic impacts as seven of the new industrial units have been let. These are capable of accommodating c.140 employees, generating c. £8m in annual GVA. Longer term impacts on cluster development and networking are expected as TeesAMP develops a critical mass of activity involving tenant firms, the TWI and the

recently announced Hydrogen Transport Centre. More broadly, there is also a wider impact on the local commercial property market by demonstrating that high quality speculative industrial development can work in Middlesbrough.

- Teesside International Airport – the CA’s purchase of the airport safeguarded 400 jobs by preventing the closure of the airport. There has been encouraging progress in terms of securing new routes, but the pandemic presents a major risk to future passenger travel outcomes. Diversification through the development of more than 279,000m² of employment floorspace at the Southside Business Park will therefore be even more important to the long-term success of the intervention. Positively, enabling infrastructure works for Southside have started, but full development of the site will take time and significant further investment.
- The SSI land acquisition is the second largest Investment Fund sponsored intervention to date in monetary terms. As part of the broader Teesworks economic development initiative (formerly known as the South Tees Development Corporation), this project financed the purchase of the most immediately developable parcel of land on the site, totalling 1,420 acres and including almost 2km of prime river frontage.

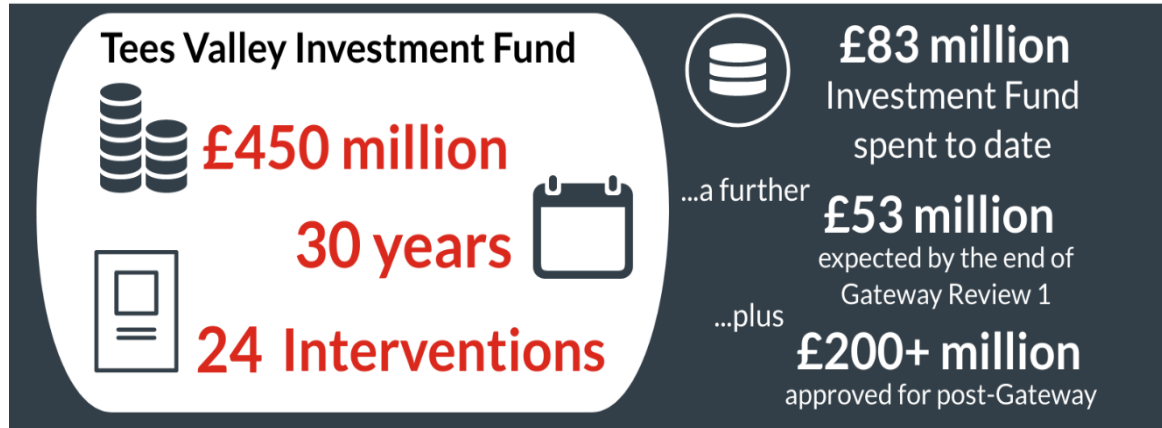
Partnership working and capacity development

13. In addition to the project level benefits summarised above, the Investment Fund has also led to changes in the behaviours, perspectives, and decisions of actors across the Tees Valley economic development landscape.

14. Local economic development capacity and partnership working has improved since the Combined Authority was created. Devolution - and the Investment Fund resource specifically - has given partners greater incentive to collaborate because of the scale and flexibility of the funding available to use in delivering against locally identified priorities.

15. More broadly, the development of the ten year Investment Plan (in which the flexibility and borrowing potential of the Investment Fund plays a key role) illustrates strong stakeholder agreement about the long term economic priorities for Tees Valley. The interventions included within the Plan (and supported by the Fund) also highlight the partnership’s strategic shift over time towards supporting fewer, but larger projects which are of pan-Tees Valley significance.

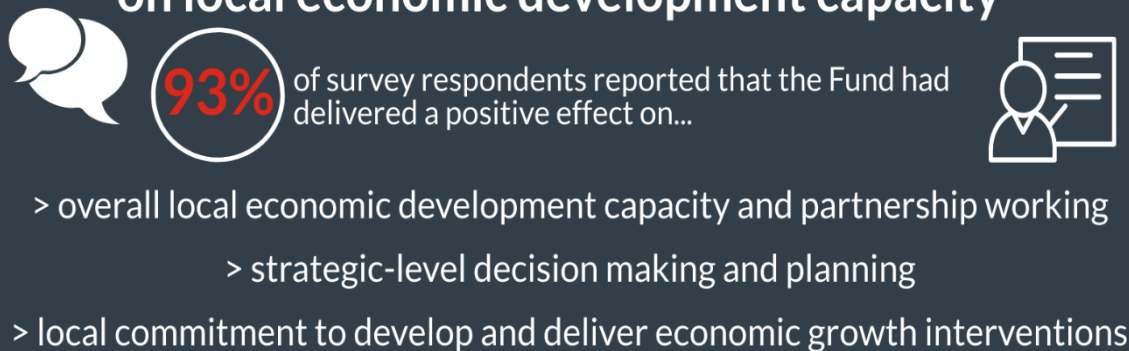
Evaluation of the Tees Valley Investment Fund



Selected outputs achieved...



The Investment Fund has had a **positive effect** on local economic development capacity



SQW

1. Introduction

Investment Funds and the Gateway Review process

- 1.1** A series of Growth and City Devolution Deals have empowered local partners across the UK to design and deliver programmes to develop their local economies. This encourages partners within functional economic areas to work more closely together and to develop new governance arrangements.
- 1.2** As part of this approach to local economic growth, city regions and counties across the UK (referred to as ‘localities’) including Tees Valley were awarded long-term investment funds. Spend of these funds is allocated to locally appraised projects, providing localities with greater control over directing priority investment decisions. These projects are appraised in line with assurance processes agreed with central government.
- 1.3** Key features of the approach agreed between the UK government and localities include:
- A long-term funding commitment, with agreed overall (maximum) envelope: in the case of Tees Valley this is a 30 year commitment, to a value of £450 million, known locally as the Investment Fund
 - Confirmation of the first five years of funding, paid in annual instalments
 - A Gateway Review after the first five years, and then every five years subsequently; for Tees Valley, with the Investment Fund starting in 2016/17, this involves a Gateway Review by March 2021
 - An understanding that future funding beyond the first five years will be subject to the outcome of Gateway Reviews and Ministerial decision-making
 - Agreement that the Gateway Review is informed by a review of the impact of investments, undertaken by an independent National Evaluation Panel; in November 2016, an SQW-led consortium¹ was appointed to deliver the work of the National Evaluation Panel.

The National Evaluation Panel

- 1.4** The purpose of the National Evaluation Panel is to evaluate the impact of the locally-appraised interventions on economic growth in each locality to inform the Gateway Review and Ministerial decision-making on future funding. This is specifically focused on the Investment Fund, not the full ‘Deal’ awarded in each locality or indeed any other sources of funding used as part of Tees Valley’s ‘Single Pot’ Investment Plan-led approach.

¹ The consortium includes Cambridge Econometrics, Savills, Steer, and an Academic Group (Prof Martin Boddy, University of West of England; Prof Ron Martin, University of Cambridge; Prof Philip McCann, University of Sheffield; Prof Peter Tyler, University of Cambridge; and Prof Cecilia Wong, University of Manchester).

- 1.5** The evaluation focus is on the impact of activities supported by the Investment Fund, or the progress in delivery where it is too early for impact to be established. The work of the National Evaluation Panel does not cover the processes of decision-making and delivery mechanism(s) or advising on what projects should be supported.
- 1.6** In that context, the evaluators have not sought to assess the performance of the Tees Valley Combined Authority (TVCA). Additionally, the broader policy agenda of devolution and directly elected Mayors or the effectiveness (and impact) of key sub-regional strategies such as the Local Industrial Strategy or the Strategic Economic Plan, and the coverage and shape of the 10 year Tees Valley Investment Plan have not been covered by this evaluation process. However, the evaluators have made regular reference to these contextual factors throughout the various reports and together they provide an important backdrop to the Investment Fund and this evaluation.
- 1.7** The work of the National Evaluation Panel to inform the first Gateway Review has involved:
- the development of a National Evaluation Framework
 - the agreement of evaluation frameworks/plans for each locality, and subsequent delivery of the agreed evaluation research by the consortium, informed by monitoring data collected by the localities
 - evaluation reports on the impact and progress of the investment funds.
- 1.8** The National Evaluation Framework was approved by the Steering Group² of the National Evaluation Panel in August 2017. It established three principal strands of work:
- **Impact Evaluation:** assessing the extent to which interventions supported by the investment funds have generated economic outcomes and impacts for their locality
 - **Progress Evaluation:** where it is too early to evidence outcomes and impacts, even at an interim stage, an assessment of the progress that interventions have made in their delivery, for example, against anticipated expenditure, delivery milestones, and in generating outputs
 - **Capacity Development and Partnership Evaluation:** to provide qualitative evidence on the effects of the investment funds on local capacity development and partnership working.

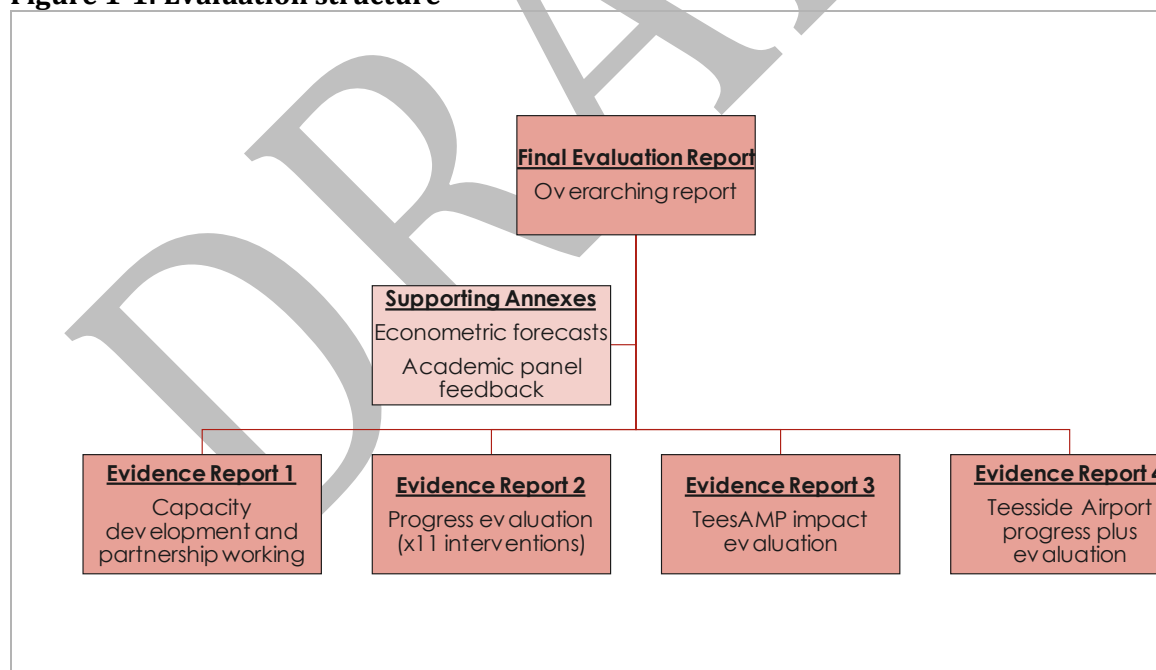
² The Steering Group comprises representatives from the 11 participating Localities (Glasgow City Region; Greater Cambridge Greater Manchester; Leeds City Region; Liverpool City Region; Tees Valley; Cambridgeshire and Peterborough; Cardiff Capital Region; Sheffield City Region; West Midlands; West of England) and the Cities and Local Growth Unit (CLGU) on behalf of the Government.

This overview report

1.9 This is the Final Report for the evaluation of the Tees Valley Investment Fund, to inform the first Gateway Review. It is the third and final output from the evaluation, following a Baseline Report in December 2019 and a One Year Out Report in March 2020. This Final Report draws on, and is accompanied by, four supporting Evidence Reports, which provide more detailed findings from the evaluation process. The suite of evaluation reports include the following:

- **Evidence Report 1: Capacity Development and Partnership Working**, which provides evidence on how the Investment Fund has contributed to local economic development capacity and partnership working
- **Evidence Report 2: Progress Evaluation**, which presents an assessment of the progress of the Investment Fund against intended spend, activity and output profiles
- **Evidence Report 3: TeesAMP Impact Evaluation**, which sets out findings on the early effects of TeesAMP
- **Evidence Report 4: Teesside Airport Progress Plus Evaluation**, which contains findings on the progress and emerging effects of the Teesside International Airport Purchase and Development Programme.

Figure 1-1: Evaluation structure



Source: SQW 2020

1.10 A draft version of this report was reviewed and commented on by Tees Valley Combined Authority, and the National Evaluation Panel's Academic Group in October 2020.

Covid-19

- 1.11** This evaluation covers the period from April 2016 to the end of June 2020, which includes the main period of disruption over March to June 2020 caused by the Covid-19 pandemic. The effects of Covid-19 on the delivery of the Investment Fund over this period, and the potential implications for outcomes in the future have been considered in the evaluation.
- 1.12** The key findings related to Covid-19 are summarised in this report, and set out in more detail in the accompanying Progress Evaluation Evidence Report.

Structure

1.13 The report is structured as follows:

- **Section 2. Policy and economic context** introduces Tees Valley and the Devolution Deal
- **Section 3. Overview of the Investment Fund** presents a summary of the Investment Fund and the interventions it sponsors
- **Section 4. Assessment of progress** contains data on expenditure and outputs
- **Section 5. Assessment of economic impacts** summarises the findings from the TeesAMP Impact Evaluation
- **Section 6. Wider contribution of the Investment Fund** explains the impact of the Investment Fund on capacity development and partnership working.

1.14 Three supporting annexes are provided:

- Annex A: Mapping and commentary on the Gateway Review indicators that are covered by the Final Report of the evaluation and its accompanying Evidence Papers
- Annex B: Peer Review comments from the Panel's Academic Group, and responses to these
- Annex C: Economic forecasts and out-turns.

2. Policy and economic context

Key Findings

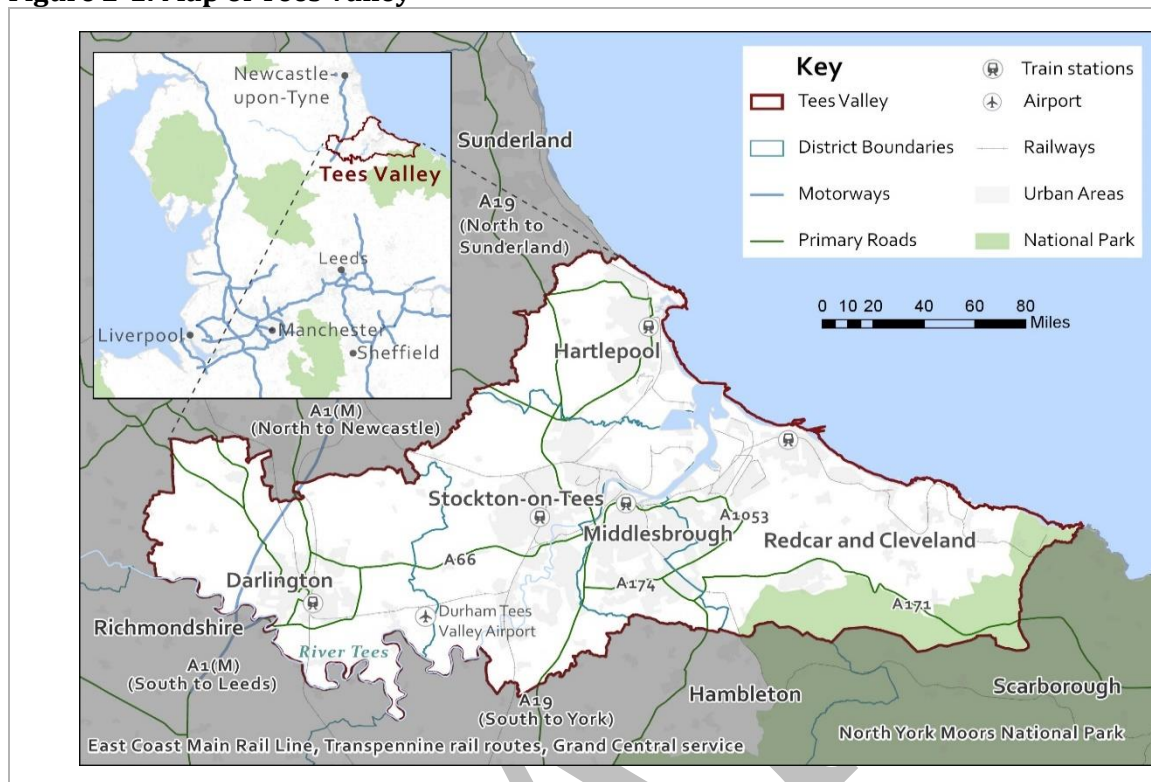
- The Tees Valley Devolution Deal was signed in October 2015. It included provision for a 30 year, £450 million devolved Investment Fund. The Deal also led to the creation of the Tees Valley Combined Authority and a directly elected Mayor.
- The TVCA published a ten year Investment Plan in 2019 which aims to create almost 17,000 jobs and £1.5bn of GVA by 2029. The Plan continues the ‘Single Pot’ approach presented in the earlier Strategic Economic Plan (SEP), and outlines the interventions that will be brought forward to implement the aims of the SEP. The Investment Fund is a core component of the Investment Plan. More recently, TVCA has published a Local Industrial Strategy.
- The Tees Valley economy has experienced a prolonged period of substantial structural change with the decline of traditional industrial strengths in areas such as steel production. As a consequence, Tees Valley has underperformed compared to the UK in terms of GVA, employment and productivity since the 1990s.
- Economic forecasting conducted as part of the evaluation shows that stubborn challenges remain, with employment, GVA and productivity all growing more slowly than forecast over 2013-2019 in Tees Valley. Whilst local productivity growth was stronger than the UK average, GVA and employment growth both underperformed relative to the UK.

The Tees Valley Devolution Deal and wider policy context

- 2.1** The Tees Valley Combined Authority (TVCA) area consists of five unitary authorities – Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees – grouped around the River Tees in the north east of England. It covers a mix of rural and urban areas, including part of the North York Moors National Park as shown at **Error! Reference source not found.** The Tees Valley is home to 676,000 people and generates an annual GVA of £14bn.³

³ Source: ONS population estimates and regional accounts

Figure 2-1: Map of Tees Valley



Source: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright [and database right] [2019]

- 2.2** Local stakeholders have been working together to promote economic development through formal arrangements since the Joint Strategy Unit and Tees Valley Development Company were both created in 1996. Following the merger of these two bodies, Tees Valley Unlimited was formed in 2010 and granted Local Enterprise Partnership (LEP) status in 2011.
- 2.3** The LEP developed a Strategic Economic Plan (SEP) for Tees Valley in 2014 (which was later refreshed in 2016) to help unlock the area's growth potential.⁴ Importantly for the evaluation, the SEP sets out the principle of a 'Single Pot' to which local and national funding sources contribute.
- 2.4** In October 2015, Tees Valley Unlimited, the five local authorities and the UK Government signed the Tees Valley Devolution Deal.⁵ This Deal provided the basis for the creation of the Tees Valley Combined Authority (TVCA) and, subsequently, a directly elected Mayor. Powers transferred to the Mayor and CA relate to employment and skills, transport, and planning. The Cabinet is the CA's main decision-making body. It is chaired by the elected Mayor, and the leaders of all five local authorities also have voting rights. The LEP Chair and private sector members attend Cabinet meetings as associate members in a non-voting capacity.
- 2.5** The devolved Investment Fund covered by this evaluation forms a key part of the Devolution Agreement. The Fund is a 30-year, £450 million commitment that was launched in September 2016. In negotiating the Deal, partners successfully made the case to the UK government that

⁴ See [TVCA \(2016\) Strategic Economic Plan 2016-2026](#)

⁵ Available at: <https://www.gov.uk/government/publications/tees-valley-devolution-deal>

the underlying economic challenges facing Tees Valley could not be tackled fully with a capital only fund. As a result, the Tees Valley Investment Fund includes an important revenue element – around half of the 17 interventions in scope include revenue expenditure - and this differentiates it from many of the other devolved Investment Funds.

- 2.6** Following the Devolution Deal and the election of the first Tees Valley major in 2017, the CA published a ten year Investment Plan in 2019.⁶ The Plan – which aims to create almost 17,000 jobs and £1.5bn of GVA by 2029 - continues the ‘Single Pot’ approach and outlines the interventions that will be brought forward to implement the aims of the SEP.
- 2.7** As discussed in Section 3, the Investment Fund is a key component of the 10 year Investment Plan. An updated assurance framework which contains the decision making process for all interventions funded by the Single Pot was also published.

Tees Valley Investment Plan 2019/20

The Investment Plan allocates £588m to transformational interventions which will have a significant impact on growing the Tees Valley economy. Each of the six themes contained in the Plan has funding pre-allocated to programmes and/or projects as shown below:

- **Transport** - £256.7m for integrated transport, plus £306.5m for wider interventions (incl. Local Transport Plan and concessionary fares)
- **Education, Employment & Skills** – c.£55m split between capital projects (£15m) and revenue projects (£40m), plus the £290m devolved Adult Education Budget
- **Business Growth** – c.£146.5m split between programmes (£30m), and sites and premises projects (£116.5m)
- **Culture and Tourism** - c.£60m split between programmes (£20m) and capital projects (£40m)
- **Research, Development & Innovation** - £20m for programmes/projects
- **Place** - £50m programme.

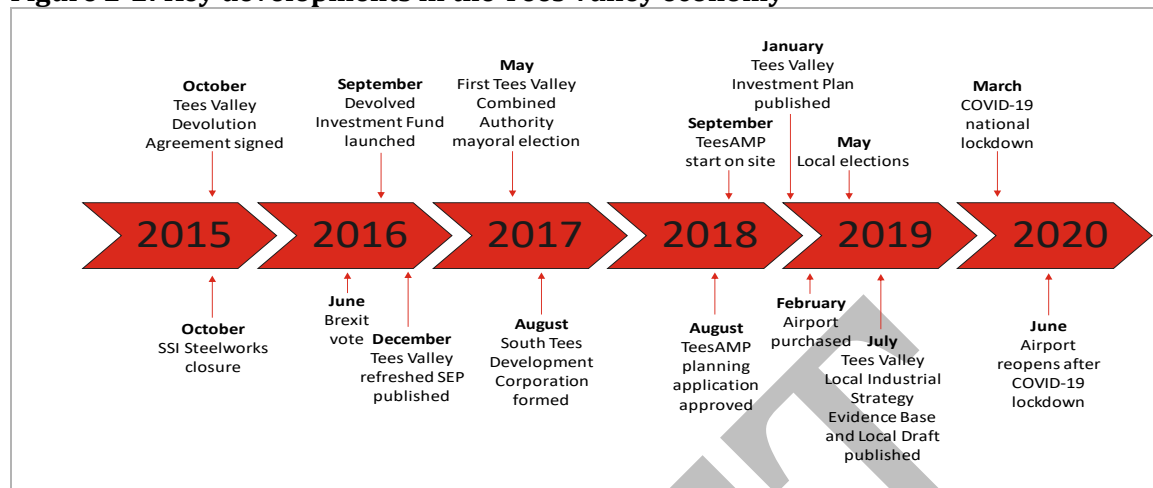
Source: Tees Valley Combined Authority, Tees Valley Investment Plan 2019/29

- 2.8** A draft of the Tees Valley Local Industrial Strategy (LIS) was subsequently agreed by the CA Cabinet in July 2019. This set out an overarching ambition to establish Tees Valley as a global leader in clean energy, low carbon and hydrogen.⁷ However, joint agreement with central government has been paused because of national political changes and, more recently, the Covid-19 outbreak.

⁶ See [TVCA \(2019\) Tees Valley Investment Plan 2019/29](#)

⁷ See [TVCA \(2020\) Tees Valley Local Industrial Strategy, Local Draft](#)

Figure 2-2: Key developments in the Tees Valley economy



Source: SQW 2020

The economic context

An overview of the Tees Valley economy

- 2.9** The Tees Valley economy has experienced a prolonged period of substantial structural change with the decline of traditional industrial strengths in areas such as steel.⁸ As a consequence, Tees Valley has underperformed compared to the UK in terms of GVA, employment and productivity since the 1990s. Despite encouraging progress in the 2000s, research has found that Tees Valley would be classed as a ‘less developed’ region for the 2021-27 European funding programme period.⁹
- 2.10** Looking to the economic future of Tees Valley - and reflecting the area’s industrial heritage - the draft LIS identifies five sectors with “*national strengths and niche opportunities*”: biosciences; chemicals and process; clean energy, low carbon and hydrogen; manufacturing (including services); and industrial digitalisation. These are supported by impressive Research and Technology Organisation (RTO) assets such as the Centre for Process Innovation, Materials Processing Institute and TWI (formerly The Welding Institute).
- 2.11** However, the latest annual data show that Tees Valley’s productivity (defined as GVA per job) of £47.2k is £6k below that of the UK average (£53.4k). Similarly, Tees Valley’s unemployment rate is over two percentage points higher than the UK average, whilst the percentage of the Working Age Population (WAP) with no formal qualifications is over three percentage points higher. The LEP area also underperforms in terms of innovation activity.¹⁰

⁸ [The Geography of the Tees Valley Economy \(2016\) Centre for Cities](#)

⁹ [UK Allocation for Cohesion Policy Post 2020 \(2019\) Conference of Peripheral Maritime Regions](#)

¹⁰ Benchmarking Local Innovation – The Innovation Geography of England (2019) Enterprise Research Centre

2.12 However, Tees Valley is not the only area in the North of England to face stubborn economic challenges. **Error! Reference source not found.** presents key figures for Tees Valley across various socio-economic indicators, compared to the Northern Powerhouse average.

Table 2-1: Socio-economic dashboard comparing current-date data with 2012

	Latest data			Change since 2012		
	Tees Valley	Northern Powerhouse	UK	Tees Valley	Northern Powerhouse	UK
Output and productivity						
GVA (balanced), £bn	£14	£371	£1,909	16%	22%	25%
GVA per job, £k/job	£47.2	£46.2	£53.4	12%	10%	11%
Business						
Business stock per 10,000 working-age population	639	597	706	19%	24%	22%
Business start-up rate per 10,000 working-age population	78	78	91	30%	46%	39%
Labour market						
Jobs, million	0.29	8.02	35.75	3%	11%	12%
Unemployment rate – aged 16-64	6.3%	4.4%	3.9%	-6.2 pp	-5.1 pp	-4.3 pp
Skills						
% with NVQ4+ - aged 16-64	29.6%	34.5%	40.2%	4.4 pp	5.2 pp	6.2 pp
% with no qualifications (NVQ) - aged 16-64	11.0%	8.7%	7.9%	-2.1 pp	-2.7 pp	-2.1 pp

Note: The 'latest data' represents 2018 for GVA, business demography, and jobs; 2020 for unemployment; and 2019 for skills.
Source: SQW analysis of data from ONS regional accounts, Inter-Departmental Business Register, Population Estimates, Jobs density, and the APS

2.13 Tees Valley performs slightly better than both the North East Region and the wider Northern Powerhouse in terms of productivity¹¹ (see 2.23 for further discussion). Encouragingly, Tees Valley has a notably higher business density than both comparators – although still below that of the UK. Whilst Tees Valley's GVA growth since 2012 was slower compared than that of the Northern Powerhouse and the UK, it was similar to the North East average. However, indicators for the labour market and skills show worse performance in Tees Valley. As noted below in the discussion on economic forecasts, these socio-economic data highlight the stubborn challenges facing Tees Valley.

2.14 In addition, the above data do not take into account the emerging impacts of Covid-19. Data from the UK government's Coronavirus Job Retention Scheme indicate that Tees Valley has slightly fewer (in relative terms) furloughed workers (29%) relative to the Northern

¹¹ GVA per job in the North East was £45.2k. Source: ONS

Powerhouse (31%) and the UK (32%). Nevertheless, the 83,300 Tees Valley workers furloughed is significant in absolute terms.¹²

- 2.15** The Combined Authority has developed an Economic Recovery Plan in response to Covid-19. The Plan centres around key themes of: building confidence amongst business and communities; supporting the development of skills and access to employment; developing agile and competitive companies; putting the building blocks in place for future growth; supporting ‘health for growth’; and ‘bringing business home’ – with a focus on key sectors and sites.

Economic forecasts and out-turns

Approach

- 2.16** To provide context for the impact and progress evaluations, the National Evaluation Framework recommended the use of economic forecasts to identify how the Tees Valley economy was expected to develop at the point that the Devolution Deal (including the Investment Fund) was agreed in 2015; and then to compare this to actual out-turns at the point of the final evaluation (using actual out-turn data to 2019).
- 2.17** This involved the use of a projection from Cambridge Econometrics’ highly disaggregated database of employment and GVA by industry using the data available in 2015, tailored to reflect local circumstances where key additional developments were known about at the time. This projection sought to be as consistent as possible with policy makers’ expectations of the wider macro environment around the time that the Deal and the Investment Fund were agreed, and excludes economic and policy contexts/circumstances, which were not known at the time (most obviously Brexit and Covid-19).
- 2.18** Further details regarding the approach, technical considerations and limitations, and the granular data from the initial projections and analysis of out-turns are set out in Annex B.

Key findings

- 2.19** The headline projections and out-turn data for employment, Gross Value Added (GVA), and productivity are shown in **Error! Reference source not found.** below.

¹² SQW analysis of data from the Coronavirus Job Retention Scheme statistics: August 2020. Source: HMRC.

Table 2-2: Comparison of projected and actual headline economic performance

	Tees Valley		UK	
	2015 projection	Actual out-turn	2015 projection	Actual out-turn
Change in employment 2013-19 (%)	0.8	0.1	1.0	1.7
Change in GVA 2013-19 (%)	1.6	0.5	2.0	1.9
Change in productivity 2013-19 (%)	0.8	0.4	1.0	0.2

Source: Cambridge Econometrics and SQW

- 2.20** The economic challenges facing Tees Valley are reflected in the baseline forecasts, where Tees Valley was projected to grow more slowly than the UK in employment, GVA and productivity terms. The actual out-turns for these three indicators were all lower than forecast. Employment and GVA growth were both notably lower than the UK average, particularly employment which was almost static in Tees Valley but grew strongly, and above expectations, in the UK overall. Taken in the round, these out-turn data illustrate the scale of the challenge still facing the Tees Valley economy.
- 2.21** An important factor in explaining Tees Valley's recent performance is the economic shock caused by the SSI steelworks closure in October 2015. This resulted in the loss of over 2,000 direct jobs (95% of which were filled by Tees Valley residents) and *"negatively impacted on around 2,070 jobs in the wider supply chain."*¹³ The closure has also been linked to falls in median weekly pay and a rise in part-time work for those who remain in employment/were supported to find new employment.¹⁴
- 2.22** In addition, the out-turn data show that the underlying sectoral picture is complex with different sectors contributing to the 'underperformance' in GVA and employment. The main drivers of the lower than forecast GVA growth were Transport and storage, Mining and quarrying, and Manufacturing. These sectors collectively accounted for 16% of total GVA in Tees Valley in 2019 and all 'underperformed' against forecast growth rates by at least four percentage points. However, the sectors which contributed most to the gap between expected and actual employment growth were Government services, Financial and business services, and Construction.
- 2.23** Turning to productivity, Tees Valley's overall out-turn performance should be seen in the context of limited local employment growth. That said, Tees Valley's performance is in part also explained by its economic structure. The area benefits from a significant concentration of capital-intensive industries which enjoy high levels of productivity. For example, the local Chemicals and processing industry is more productive than the national average.¹⁵ However, the productivity performance of this select group of industries masks lower productivity performance in areas such as Professional and business services, and lower employment in

¹³ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

¹⁴ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

¹⁵ See [TVCA \(2020\) Tees Valley Local Industrial Strategy, Local Draft](#)

other industries which are more productive than the national average, e.g. Digital.¹⁶ Finally, Tees Valley's productivity picture should also be seen against the backdrop of skills and labour market challenges facing the area (see Table 2-1).

Implications for the evaluation

- 2.24** The socio-economic data analysis and econometric forecasts illustrate the entrenched difficulties which continue to face the Tees Valley economy. Although not yet evident in the data, this will be compounded by the negative impact of Covid-19 and, according to previous research, Brexit.¹⁷
- 2.25** The challenging economic backdrop is important contextual information in interpreting the progress made by the Investment Fund sponsored suite of interventions. It also highlights the importance of local partners working together to learn from the early years of devolution and put in place effective responses for the long term.

¹⁶ See [TVCA \(2020\) Tees Valley Local Industrial Strategy. Local Draft](#)

¹⁷ See [EU Exit: Long-term economic analysis \(2018\) HM Government](#)

3. Overview of the Investment Fund

Key Findings

- The Investment Fund is an integral part of the Combined Authority's broader £588m Investment Plan and forms a key element of Tees Valley's 'Single Pot' approach. No specific objectives were defined at the level of the Fund.
- Borrowing against the Fund has allowed the CA to secure additional resource, which has been used to bring forward the delivery of larger, potentially more impactful projects with greater cumulative outputs and outcomes than would otherwise have been the case. The flexibility of the Investment Fund which allows it to support economic development interventions across multiple themes (infrastructure, skills, and R&D etc.) was also reported to be crucial in maximising benefits.
- Consultees consistently reported that projects supported by the Investment Fund should *not* be seen as a set of interventions which are distinct from the wider Investment Plan sponsored suite of interventions. Despite this, there are specific links between a number of Investment Fund supported interventions which do have the potential to deliver cumulative effects, e.g. those supporting the creative and digital sector in Middlesbrough.
- Seventeen interventions were in scope for the evaluation. The interventions cover a broad range of themes including education and skills, superfast broadband, innovation, physical regeneration and development, and culture/image/place-making.
- The Investment Fund sponsored suite of interventions has evolved since the One Year Out evaluation report. Seven additional interventions have received/been approved to receive Investment Fund monies before the Gateway Review.

Coverage of the Investment Fund

Scope	
Maximum value of the Fund	£450 million
Duration of the Fund	30 years
Number of interventions in scope of the evaluation	17
Value of interventions in scope of the evaluation	£178m Investment Fund £253m total
Funding type	Mix of capital and revenue
National Evaluation Framework thematic coverage	
Transport	Yes
People	Yes
Infrastructure	Yes
Enterprise & Innovation	Yes
Other - culture and tourism	Yes

Strategic overview of the Investment Fund approach and model

- 3.1** As set out in Section 2, the Investment Fund is part of a larger ‘Single Pot’ containing multiple funding streams, including for example the Local Growth Fund. In part due to the fact that capacity within the CA was still developing when the Fund was launched, the CA’s initial approach was largely to use Investment Fund monies to ‘match fund’ existing interventions supported by other sources within the Single Pot.
- 3.2** The CA’s 2019-2029 Investment Plan marked an important change in strategy and is a key document in understanding the deployment of the Investment Fund because:
- The flexibility of the Investment Fund allows it to support economic development interventions across multiple themes (infrastructure, skills, and R&D etc.) to reflect local priorities which is crucial to maximising the benefits of a ‘Single Pot’ approach when other sources of funding are tied to specific themes or constrained through narrowly defined eligibility criteria.
 - Borrowing against the Fund has allowed the CA to secure additional resource to bring forward the delivery of larger, potentially more impactful projects with greater cumulative outputs and outcomes than would otherwise be possible. This ‘frontloading’ of the investment programme uses the funds raised through borrowing to spend more than the £15m per annum allocation from central government. This is discussed further in Section 4.
 - The strategic decision to make the Fund part of the Investment Plan’s ‘Single Pot’ means that the suite of Investment Fund interventions should not be seen as a standalone

package. As one consultee commented: *“It is inappropriate to consider [Investment Fund sponsored] projects in isolation from the wider Investment Plan programme.”*

- Despite this, a number of Investment Fund projects do have important linkages, and the potential to deliver cumulative effects e.g. those supporting the creative and digital sector in Middlesbrough.

3.3 More broadly, the development of the Investment Plan also illustrates stakeholder agreement about the long-term economic priorities for Tees Valley. The interventions included within the Plan (and supported by the Fund) also highlight the partnership’s strategic shift over time towards funding fewer, but larger projects which are of pan-Tees Valley significance. This is reflected in the scale of ambition, with the Plan setting a target of creating c17k jobs and c£1.4bn in additional GVA by 2029.¹⁸

Interventions in scope of the evaluation

3.4 The evaluation to inform the first Gateway Review is focused on interventions that had been approved formally within the first Gateway Review period, and where significant Fund expenditure has been incurred (potentially in full). In practice, to allow sufficient time for evidence on progress of delivery to emerge to inform the evaluation, this meant focusing on the 17 interventions that commenced delivery before the Baseline Report in December 2019.

3.5 The interventions cover a broad range of themes including education and skills, superfast broadband, innovation, physical regeneration and development, and culture/image/place-making. The 17 interventions in scope of the evaluation are summarised in **Error! Reference source not found..**

Table 3-1: Interventions covered by the evaluation to inform the first Gateway Review

Intervention (and Investment Fund allocation, £million)	Summary
Boho ‘The Digital City’ (16.4)	Developing two new office buildings to support the growth of the existing digital business cluster
Broadband (1.0)	Extends the rollout of broadband to increase the proportion of Tees Valley with superfast broadband
Collaborative Networks (1.7)	Supporting innovation and collaboration amongst local organisations through an innovation Challenge Fund and Collaborative Network Grant
Demand Responsive Transport (2.7)	Provides a new travel service to help residents move from villages and smaller towns to larger towns, transport hubs and hospitals
Education and Careers (5.0)	Supporting schools to achieve the Gatsby Benchmarks (representing best practice in careers education) and to address issues affecting their performance

¹⁸ See [Tees Valley Combined Authority, Tees Valley Investment Plan 2019/29](#)

Intervention (and Investment Fund allocation, £million)	Summary
Employment and Skills (4.8)	Using training, apprenticeships and employment support programmes to improve employment and skills outcomes
Hartlepool Centre of Excellence (0.7)	Rebranding the Northern Lights Academy as the Hartlepool Centre of Excellence and providing more courses to improve career pathways for young people
Hartlepool ISQ2 (3.5)	Refurbishing the Northern Studios and the Northern School of Art's Scott Building into a teaching space. It will also conduct exploratory work on the redevelopment of Shades House into a commercial ale house
Indigenous Growth Fund (48.8)	An overall framework for each of the local authorities in Tees Valley to make investments in spatial and sectoral priority areas
Liberty Steel (3.2)	The installation of a 250kg batch vacuum atomiser for commercial metal powder production and R&D activity
Middlesbrough Rail Station (2.5)	Reopening the undercroft as part of the wider Middlesbrough Station transformation scheme
Northern School of Art relocation (4.4)	Relocation of the Northern School of Art's Further Education campus from suburban to central Middlesbrough
STDC site investigations (0.8)	Feasibility works to create a knowledge base which will optimise land use planning, remediation requirements and environmental requirements
TeesAMP (2.7)	Creating modern, high quality advanced manufacturing space on the old Southwest Ironmasters site.
Teesside Airport purchase and development (73.6)	Acquisition of Teesside International Airport and adjacent land, along with additional funding to cover the expected operating losses and capital expenditure over a 10 year period.
Tourism and Cultural Development (4.0)	Aims to improve the local tourism sector through a Destination Marketing programme and support for Events and Festivals
Youth Employment Initiative (46.5)	Extends four pre-existing projects (Defining Futures, Tees Valley Pathways, Tees Valley Routeways and Young Ambition) to 2021/22 to help young people attain sustainable employment

Source: SQW and TVCA

3.6 However, and importantly for the evaluation, the Investment Fund sponsored suite of interventions has evolved since the Baseline Report. The CA informed the evaluators in Summer 2020 that seven additional interventions had also been approved to receive Investment Fund monies by the first Gateway Review. These interventions are not formally in scope for the evaluation but, given the scale of expenditure, have been included as a separate category of 'additional interventions' and are introduced in **Error! Reference source not found.** The two South Tees Development Corporation (STDC/Teesworks) related interventions had previously been approved, but their funding has been brought forward to before the Gateway Review. In these cases, outputs and outcomes will be delivered earlier than was anticipated at the One Year Out stage. The other five 'additional interventions' have been approved since Q3 2019/20 under the CA's rolling approach to intervention approval.

Table 3-2: 'Additional interventions' approved by TVCA

Intervention (and Investment Fund allocation, £million)	Summary
STDC Site - SSI land acquisition (29.4)	Purchase of the most immediately developable section of land on the South Tees Development Corporation (STDC)/Teeworks site, totalling 1,420 acres and including almost 2km of prime river frontage.
STDC Site - Infrastructure (15.3)	Infrastructure investment for the whole STDC site, supporting investment secured from central government. This project will lead to job creation and inward investment, as well as unlocking future phases of development.
Business Growth Programme (14.0)	A 10 year programme to create a single access 'Business Gateway' to replace and enhance the existing 'Growth Hub.' It will provide: Business Diagnostic and Signposting; Specialist Mentoring/Training/ Consultancy; and Access to finance support.
Culture and Tourism Programme (20.0)	Delivery of a wide range of arts and cultural activities, support to develop partnership across art forms, and supporting new partnerships between cultural organisations and the private sector.
Riverside Northshore Development (20.0)	The purchase and demolition of under-utilised retail space and a hotel, the relocation of existing businesses to concentrate the town's retail offer, and the creation of a mixed use space with around 750,000sqft of offices, 332 residential apartments, 150 family homes and a university campus.
Welcome to Redcar and Cleveland (20.0)	Improvements to the assets and attractions of Redcar and Cleveland, as well as improvements to transport and tourism infrastructure to attract a greater number of higher spending visitors.
Research, Development and Innovation Programme (6.0)	The creation of clusters aligned with regional innovation priorities, as well supporting activities which amplify the work of the region's existing research and innovation centres.

Source: SQW and TVCA

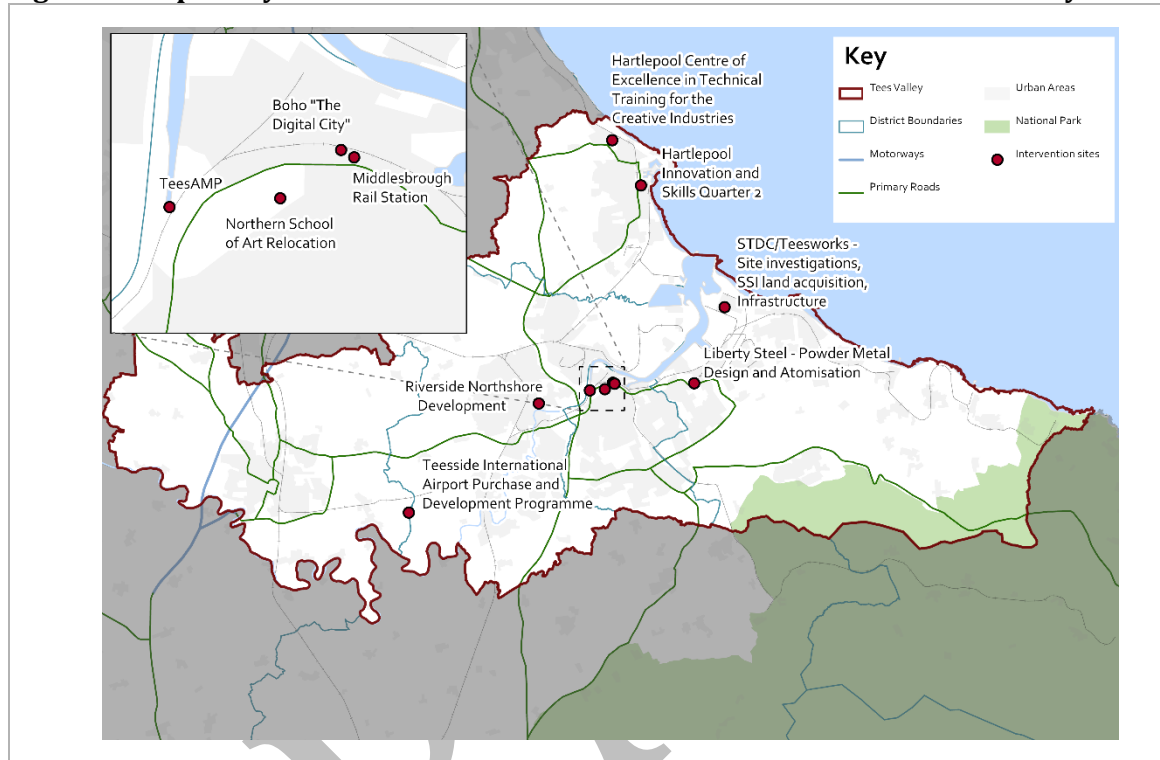
- 3.7** It is also noted that one intervention – Middlesbrough Train Station – included in the Baseline and One Year Out Reports has been removed from the Investment Fund suite of interventions. Following completion of the primary research for the evaluation, it was announced in Mid-August 2020 that Middlesbrough Station would be allocated a proportion of the £17.4m funding which the TVCA secured from the Government's Getting Building Fund. As a result, devolved Investment Fund monies will no longer be used to support this intervention, meaning the Investment Fund resource can in future be redeployed to support other projects.

Spatial distribution

- 3.8** The map at **Error! Reference source not found.** shows the locations of ten of the 24 interventions which are spatially focused. It also illustrates the geographic linkages between projects in central Middlesbrough that were noted above.

- 3.9** In general however, it is important to note that all areas of Tees Valley are expected to benefit from the Investment Fund as the revenue interventions, e.g. the Employment and Skills programme will be delivered across the entire area. In addition, the CA supports spatially focused interventions across all five local authority areas using non-Investment Fund monies – the map does not represent all of TVCA’s spatially focused projects.

Figure 3-1: Spatially focussed investment Fund interventions within Tees Valley



Source: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright [and database right] [2019]

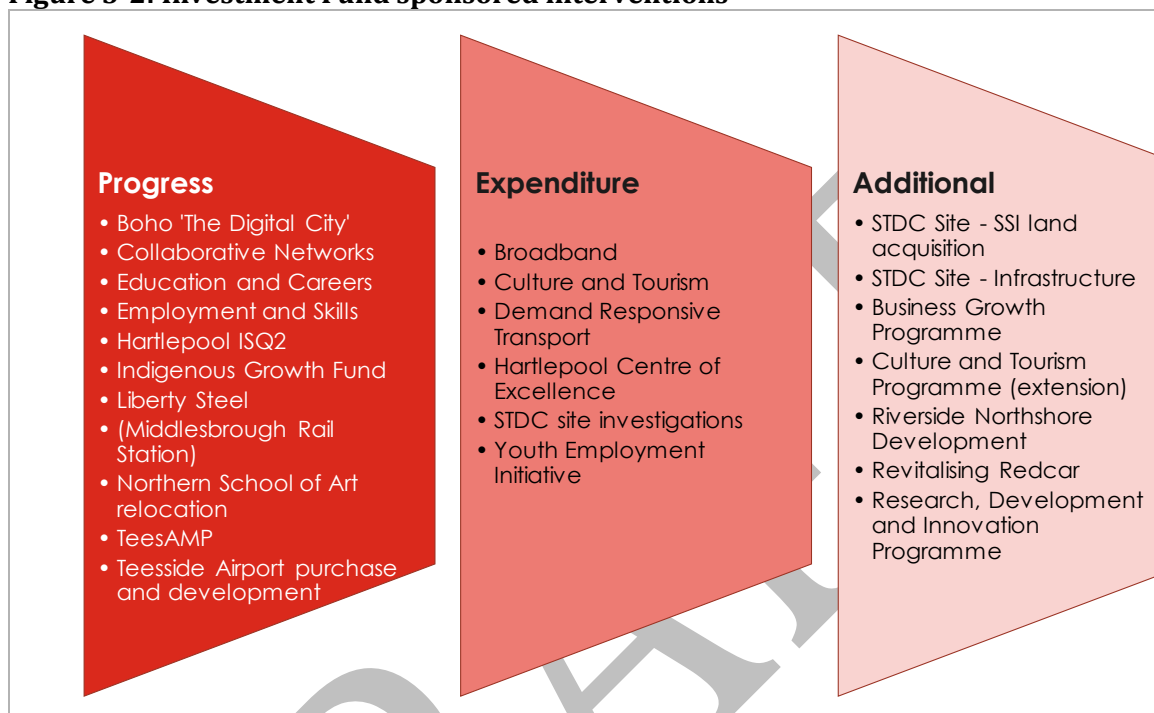
Evaluation approach

- 3.10** The remit of the National Evaluation Panel is to provide evidence on the impact of the funds in delivering local growth outcomes. However, as noted in Section 1, in some cases it was considered too early to evidence impacts at this evaluation stage. In these cases, interventions have been subject to progress evaluation only.
- 3.11** The evaluation approach is summarised in **Error! Reference source not found.**:
- Eleven interventions are subject to progress evaluation. Within this, Teesside Airport Purchase and Development is subject to a more detailed ‘progress plus’ evaluation, whilst TeesAMP is subject to progress and impact evaluation.
 - Six interventions have been identified as ‘Expenditure interventions’ which are formally in scope for the evaluation. These interventions typically have lower levels of financial support from the Investment Fund and/or later start dates than the ‘progress interventions.’ It was therefore agreed in the Baseline Report that the most appropriate

and proportionate approach to include these interventions in the evaluation was to present data on expenditure data only.

- The 'additional interventions' are formally out of scope for the evaluation. However, for completeness, expenditure data is presented for these interventions.

Figure 3-2: Investment Fund sponsored interventions



Source: SQW 2020

4. Assessment of progress

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Key Findings

- At the baseline stage, assumed anticipated expenditure by the end of June 2020 was £79.5m. However, actual expenditure on the 17 interventions known at that time was £65.7m - only 83% of assumed anticipated expenditure by the end of June 2020. Investment Fund spend on these interventions is almost £14m less than expected.
- When the 'additional interventions' which were not known at the baseline stage are included, actual Investment Fund expenditure by the end of June 2020 increases to £83m.
- Two interventions account for 80% of all Investment Fund expenditure to date: Teesside International Airport represents 62% of total expenditure; and the SSI land acquisition accounts for 18% (actual Investment Fund spend of £51.7m and £15m respectively).
- The CA receives an annual grant from the UK government of £15m under the Devolution Deal. The total Investment Fund expenditure of £83m up until the end of Q1 2020/21 therefore represents c.130% of the government grant provided to date. The borrowing which enables this is discussed in Evidence Report 1.
- Looking ahead, a further £53m of Investment Fund monies are expected to be spent by the end of the Gateway Review 1 period, whilst more than £200m of expenditure has already been approved for beyond the first Gateway Review.
- The Liberty Steel intervention is nearing completion, but it is still 'early days' for the remaining 'live' interventions. This reflects a combination of: intervention start dates which were often late in the Gateway Review period; delays finalising designs and beginning construction; and relatively long delivery periods for the revenue-based programme interventions.
- Encouragingly, and as discussed in Section 5, important progress has been made on the Teesside International Airport intervention which has allowed delivery to accelerate. However, and reflecting the underspend at the level of the Investment Fund, the majority of ongoing interventions are behind anticipated expenditure targets, as well as behind on delivery milestones and outputs achieved. In addition to Covid-19, factors influencing this include delays in finalising designs and costings for capital projects, lower than anticipated levels of initial demand for some revenue interventions, and challenges in securing the necessary match funding from national sources, which took longer than expected.
- Despite this, a wide range of outputs have already been achieved. These include safeguarding/creating over 400 jobs, supporting 340 people into work, engaging 886 businesses in careers programmes, and supporting 63 schools and colleges with careers activity.
- All project managers were confident that, despite the disruption caused by Covid-19, the interventions remained on course to deliver against their original objectives although in many cases this will take longer than initially envisaged.

Overview of progress

Expenditure	
Assumed anticipated expenditure by end-June 2020 ¹⁹	£79.5m Investment Fund £122m total
Actual expenditure by end-June 2020 (on interventions known at the baseline stage)	£65.7m Investment Fund £96.1 total
Investment Fund expenditure as % anticipated ²⁰	83%
Actual expenditure by end-June 2020 (including 'additional interventions')	£83m Investment Fund £113m total
Status of interventions	
Interventions completed by end-June 2020	1
Interventions on-going at end-June 2020	16
'Additional interventions' on-going at end-June 2020	7

Expenditure

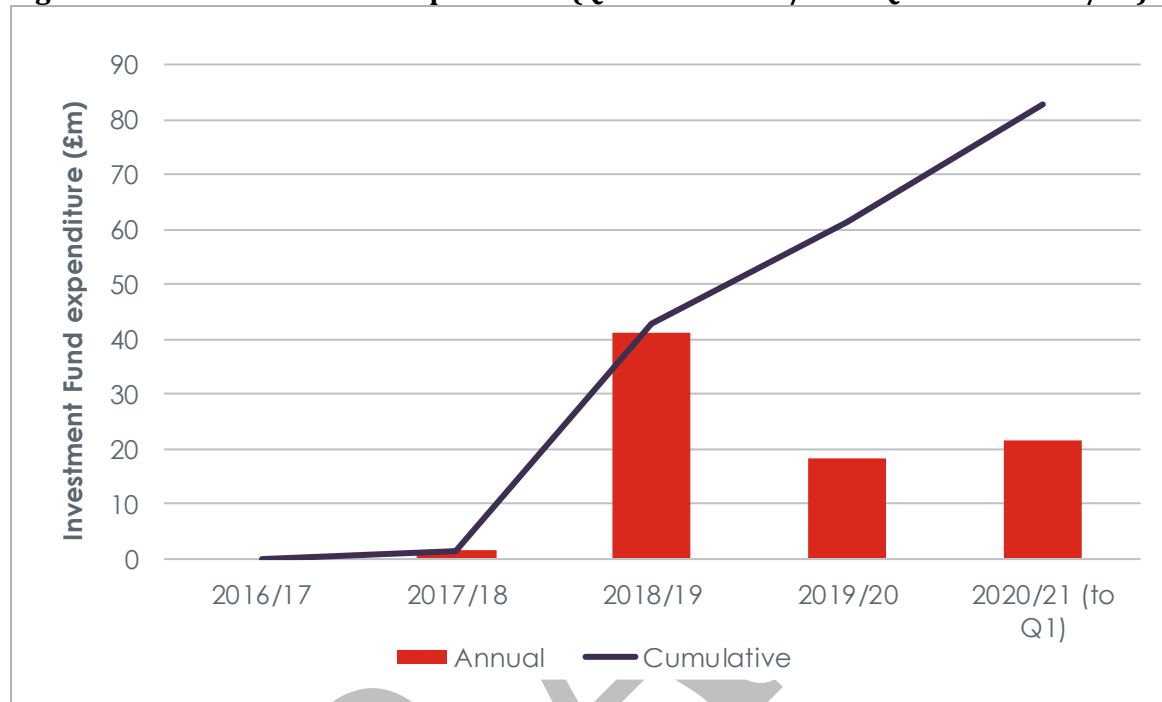
- 4.1** At the baseline stage, assumed anticipated expenditure by the end of June 2020 was £79.5m. However, actual expenditure on the 17 interventions known at the baselining stage was £65.7m - only 83% of assumed anticipated expenditure by the end of June 2020. Investment Fund spend on these interventions is almost £14m less than expected.
- 4.2** When the 'additional interventions' which were not known at the baseline stage are included, actual Investment Fund expenditure by the end of June 2020 increases to £83m. A fifth of the total Fund expenditure (£17.3m) has been incurred by these 'additional interventions', so the overall spend profile for the Fund as a whole has changed significantly since the Baseline Report was developed in December 2019.
- 4.3** Looking across all the interventions, it is notable that two account for 80% (£66.7m) of all Fund expenditure to date: Teesside International Airport represents 62% of total expenditure; and the SSI land acquisition accounts for 18% (actual spend of £51.7m and £15m respectively). In monetary terms, these two interventions are the main focus for the Investment Fund investment to date. For comparison, the next largest intervention (Liberty Steel) accounts for only 4% (£3.1m) of the total Fund expenditure to date.
- 4.4** Almost half of all Investment Fund expenditure to date occurred in 2018/19 with the purchase of Teesside International Airport. Expenditure in Q1 2020/21, helped by the SSI

¹⁹ Expected spend data was provided for full financial years only, with no quarterly breakdown available to the evaluators. To enable a comparison of actual spend against expected spend, the evaluators have therefore assumed that 25% of the expected spend for the full 2020/21 financial year was expected to occur in the first quarter of the year

²⁰ Note that this does not include expenditure on the 'additional interventions' because these were not identified at the Baseline Report stage and, as such, do not have a baseline expenditure profile to compare actual expenditure against

land acquisition intervention, is already higher than the level of expenditure recorded across the entire 2019/20 financial year. **Error! Reference source not found.** reveals that there was minimal spend through the Investment Fund in 2016/17 and 2017/18 as the focus at that time was on project development.

Figure 4-1: Investment Fund expenditure (Quarter 1 2016/17 to Quarter 1 2020/21)



Source: SQW analysis of TVCA data

- 4.5** The TVCA receives an annual grant from Government of £15m under the Devolution Deal. This is worth £63.75m over the first 4.25 years of the Investment Fund. The total Investment Fund expenditure of £83m therefore represents c.130% of the government grant provided to date. As discussed in Evidence Report 1, this acceleration of spend has been enabled by borrowing against future income from the Investment Fund.

Future planned expenditure

- 4.6** In addition to the £83m of expenditure to Q1 2020/21, a further £53m of Investment Fund monies are expected to be spent by the end of the Gateway Review 1 period (up to the end of March 2021). The Indigenous Growth Programme and infrastructure works at the STDC site are expected to account for £22.4m, equivalent to 42%, of the remaining pre-Gateway Review 1 expenditure. Monitoring data was provided in September 2020 so does not take account of the potential impacts of the November 2020 lockdown introduced in response to rising Covid-19 levels.
- 4.7** Looking ahead, more than £200m of expenditure has already been approved for beyond the first Gateway Review. The majority (60%) of this is for the ‘additional interventions’, although the single largest approved post-Gateway expenditure is the c. £33m on the Indigenous Growth Programme.

Out-turn of completed intervention - TeesAMP

By the end of June 2020, one of the interventions (TeesAMP) supported by the Investment Fund had been completed. A summary of outputs achieved to date is provided in

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4.8 Table 4-1, with a more detailed discussion presented in Section 5 and the accompanying Impact Report. In addition, the CA successfully completed the purchase of Teesside International Airport in early 2019. As the CA is providing ongoing revenue and capital funding to support the implementation of the Airport Business Plan, this intervention is discussed in the sub-section below and the accompanying Progress Plus Report.

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Table 4-1: Out-turn of TeesAMP

Outputs	Actual outputs at Q1 2020/21	Target outputs by Gateway Review 1	Target outputs by project close
Hectares of site to be reclaimed (by end of 2018)	11	11	11
Creation of advanced manufacturing space (sq. m) (by 2020)	16,722	16,722	16,722
Direct jobs hosted (upon full occupation 2022)	8	228	500
Additional derived & supply chain (Indirect) jobs (by 2025)	30	57	100
Advanced manufacturing companies to be hosted (upon full occupation 2022)	0*	10	10

Source: SQW analysis of TVCA data. *The monitoring data covers the delivery period to end June 2020/21 but, as discussed in Section 5, at September 2020 there were six tenant companies at TeesAMP

Progress of on-going interventions

Summary overview

- 4.9** Reflecting intervention start dates, construction timetables for capital interventions, and the relatively long delivery timescales of the revenue interventions, the majority of the Investment Fund suite of interventions remained in delivery at the end of June 2020. This included ten of the interventions subject to progress evaluation. A detailed assessment of the progress made by each intervention against the six Progress Evaluation Research Questions is set out in the accompanying Progress Evaluation Evidence Report, with headline findings presented below.

Number of interventions: 10

Is expenditure on budget?

Yes

1

No

9

- Liberty Steel was the only intervention on budget when assessed against original projections
- Expenditure was lower than expected for eight interventions, with four yet to report Investment Fund expenditure by Q1 2020/21 (Boho, Hartlepool ISQ2, Indigenous Growth Fund, and the Northern School of Art) in addition to Middlesbrough Rail Station, which as mentioned above, has been removed completely from the Investment Fund suite of interventions. For the remaining three interventions, the reasons for lower than anticipated spend include challenges recruiting/retaining key workers (Employment and Skills Programme), slow uptake of grants by schools (Education and Careers Programme) and rescoping (Collaborative Networks), alongside delays owing to Covid-19.
- Planned post-Gateway expenditure on Teesside International Airport has been brought forward, so expenditure to the end of Q1 2020/21 stands at 120% of the projected spend level at that date.

Number of interventions: 10

Have agreed delivery milestones been met?

Yes	No
3	7

- Three interventions have achieved agreed delivery milestones. For example, the procurement works for both Boho 8 and Boho 10 were completed on time, whilst the two main elements of the Education and Careers Programme (Careers and Enterprise, and Education, Innovation and Collaboration) were launched as planned. Further, the Airport purchase was completed in February 2019 as planned and some milestones have been achieved ahead of schedule, such as the announcement of five new routes in January 2020.
- Seven interventions have encountered delays to some or all of their agreed milestones. The reasons for this include disagreements over project scope/design, additional re-costing work, construction challenges (particularly those associated with Covid-19), delays securing public sector match funding, and the broader implications of changes to the economic/funding landscape.
- The length of delays varies by intervention. For example, the Liberty Steel atomiser is now expected to be commissioned in Autumn 2020, five months later than planned, owing in part to Covid-19. The design stage for the Hartlepool Innovation and Skills Quarter 2 intervention was delayed by around nine months due to a lack of cost certainty resulting in a re-costing process.

Have anticipated outputs been delivered as anticipated?

Yes	No	N/A
1	5	4

- The Airport purchase safeguarded 400 direct jobs as planned.
- Four interventions had generated outputs, but not at the level anticipated for Q1 2020/21. This included the Liberty Steel and Collaborative Networks interventions, as well as the Employment and Skills, and Education and Careers programmes. Hartlepool Innovation and Skills Quarter 2 had not delivered any output by Q1 2020/21.
- Four interventions did not plan to deliver any outputs by Q1 2020/21.

Have intermediate outcomes been delivered as anticipated?

Yes	No	N/A
No interventions	No interventions	10

- No intermediate outcomes were planned or delivered by any of the ten interventions. This reflects intervention start dates, the long construction timetable for the capital interventions, and the complex and multifaceted challenges to be tackled by the revenue interventions

Do interventions remain on course to deliver against their original objectives?

Yes	No
10	No interventions

- Project managers were confident that all ten interventions are on course to deliver against their original objectives by the end of the project/programme.
- Some interventions have been delivered largely as planned, achieving anticipated milestones and outputs, and thus remain on course to deliver against their original objectives.
- The remaining interventions may have experienced delays to project delivery, but were reported to remain on course to deliver against their original objectives over longer timescales.

Number of interventions: 10**Has COVID-19 influenced progress and/or will it influence expected outcomes?****Yes**

9

No

1

- Covid-19 had/is expected to influence the progress and/or expected outcomes of nine interventions. Common reasons cited for this included the temporary suspension of construction and the socially distanced slower speed resumption, delays to design and commissioning processes, concerns over future demand (e.g. commercial space, visitor numbers etc.), the implications of increased unemployment for work and skills related interventions, and the diversion of resources/capacity towards the pandemic response. There have also been intervention specific impacts, such as the temporary closure of the Teesside International Airport and the temporary pause in referrals to the Routes to Work programme.
- Covid-19 had not, nor was expected to, impact on the progress or expected outcomes of the Middlesbrough Rail Station project. This is because recent activity had focused on technical design work and risks associated with demand for the commercial space in the undercroft were considered to be low.

Intervention level

4.10 The outputs generated by ongoing interventions, and any delivery issues encountered and how/if they were addressed are set out in Table 4-2. Further details are provided in the Progress Evaluation Evidence Report.

Table 4-2: Intervention level outputs and delivery issues – on-going interventions

Intervention	Outputs generated	Delivery issues
Education and Careers programme	<ul style="list-style-type: none"> • 886 businesses engaged • Funded schools, colleges and local authorities... <ul style="list-style-type: none"> ➢ 63 matched to an Enterprise Advisor ➢ 53 achieve Gatsby Benchmark 5 ➢ 42 achieve Gatsby Benchmark 6 ➢ 9 achieve all Gatsby benchmarks 	<ul style="list-style-type: none"> • Initially there was a slow uptake of the Innovation and Collaboration grant offer by schools. In response, the project team worked to help schools develop grant proposals, which has improved both the quantity and quality of proposals received. However, Covid-19 delayed the start of individual projects that were planned for the first half of 2020. • Covid-19 has had a substantial impact on schools. However, the programme has adapted by engaging with young people remotely and by bringing forwards improvements to the careers website. The nature of employer participation also changed, with a move towards more online engagement.
Employment and Skills programme	<p>Routes to Work</p> <ul style="list-style-type: none"> • 2,345 engagements • 1,731 positive outcomes 	<ul style="list-style-type: none"> • The Routes to Work strand did not experience any delivery issues and, because of overperformance against targets, a year long extension has been agreed with the Department for Work and Pensions.

Intervention	Outputs generated	Delivery issues
	<ul style="list-style-type: none"> • 861 significant improvements • 340 into work Apprenticeships <ul style="list-style-type: none"> • 204 Apprenticeships Support Grant for Employers • 155 New Apprenticeships Support Grant for Employers • 35 Apprenticeships Support Grant 2 	<ul style="list-style-type: none"> • Covid-19 led to a shift to delivering online/telephone support rather than intense, face to face support that Routes to Work originally offered. • The Apprenticeship Programme has had lower than expected uptake of apprenticeship grants. As a result, eligibility was expanded from the initial priority sectors to include more high growth and high demand sectors. Additional devolved funding has also been allocated to a new, more generous apprenticeship grant for employers.
Liberty Steel	<ul style="list-style-type: none"> • 12 direct jobs created • 1 apprenticeship supported • 3 researchers working in improved facilities • 4 enterprises receiving non-financial support • 1 new to market product • 1 new to firm product 	<ul style="list-style-type: none"> • Commissioning of the atomiser (i.e. installation and testing) was delayed because of unexpected issues with gas supply, time lost due to the Covid-19 lockdown, and the slower speed of post-lockdown construction as a result of social distancing. • Recruitment of the new team, including an apprentice, is on track. R&D work which did not rely on the atomiser has also proceeded as planned.
Teesside International Airport	<ul style="list-style-type: none"> • 400 safeguarded jobs 	<ul style="list-style-type: none"> • The airport purchase was completed in early 2019 as planned. This purchase was reported to have safeguarded 400 jobs. • The airport closed between late March and early June due to Covid-19, but no redundancies were made.

Source: SQW, based on monitoring data and consultations with intervention leads

Discussion of intervention level progress

- 4.11** The Liberty Steel intervention is nearing completion, but it is still ‘early days’ for the remaining ‘live’ interventions. This reflects a combination of: intervention start dates which were often late in the Gateway Review period; delays in finalising designs and beginning construction; and relatively long delivery periods for the revenue-based interventions.
- 4.12** Positively, and as discussed in Section 5, important progress has been made on the Teesside International Airport intervention, which has allowed delivery to accelerate. However, and reflecting the underspend at the level of the Investment Fund, the majority of ongoing

interventions are behind anticipated expenditure targets. Additionally, they are also behind on delivery milestones and outputs achieved. The Investment Fund sponsored suite of interventions is very diverse, so several factors help to explain this slower than anticipated delivery. For example, whilst some capital projects are behind because of delays in finalising designs and costings, progress on some of the revenue interventions was initially held back by lower than expected levels of demand. Further, capital and revenue projects have also been impacted by delays in securing match funding from national sources. The Covid-19 pandemic has also delayed delivery.

- 4.13** Despite this, a wide range of outputs have already been achieved. These include safeguarding/creating over 400 jobs, supporting 340 people into work, engaging 886 businesses in careers programmes, and supporting 63 schools and colleges with careers activity. All project managers were confident that, despite disruption caused by Covid-19, the interventions remained on course to deliver against their original objectives.
- 4.14** Finally, it is important to note the contribution of the ‘additional interventions.’ The flexibility of the Investment Fund and wider Single Pot has allowed the CA to bring forward these interventions (and their outputs and outcomes) earlier than would otherwise have been possible. At the level of the Fund overall, this additional expenditure helps to offset the lower than expected spend on the interventions formally in scope for the evaluation. Further details on the ‘additional intervention’ of the SSI land acquisition are provided below as this is the second largest project, in monetary terms, supported by the Fund to date.

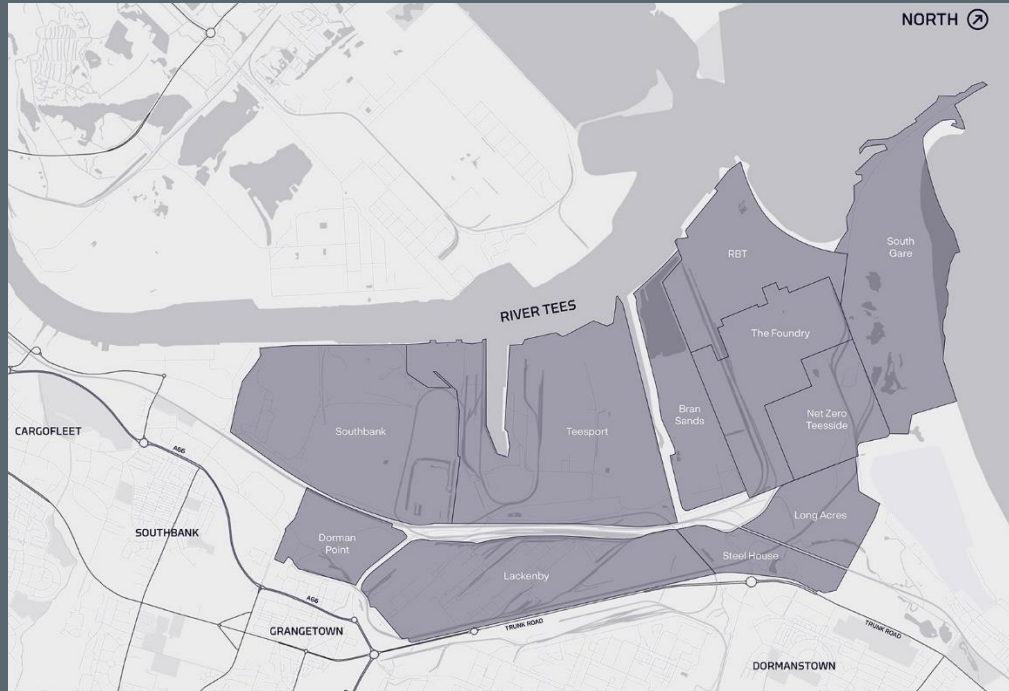
Teesworks and SSI land acquisition

- The SSI steelworks closed in 2015 resulting in the immediate loss of over 2,000 direct jobs and a negative impact on around 2,070 jobs in the wider supply chain of over 300 companies. In response, the Government announced an £83m support package to be overseen by a taskforce chaired by the Executive Director of Redcar and Cleveland Borough Council.²¹
- Using the powers transferred through the Devolution Deal, the South Tees Development Corporation (STDC, now Teesworks) was created in August 2017 to lead the redevelopment of the c. 4,500 acres site.
- Following land purchase from Tata Steel Europe in 2019, and successful negotiations with three Thai banks (creditors of the SSI steelworks) and a CPO with minor landowners, ownership of the full site will vest with the STDC in October 2020. The Investment Fund sponsored intervention financed the purchase of the most immediately developable section of land on the site, totalling 1,420 acres and including almost 2km of prime river frontage.
- Plans are already in place for future activity at Teesworks. For example, Net Zero Teesside – a consortium including BP, Eni, Equinor, Shell, and Total – has committed to Teesworks and will occupy a 125-acre site for carbon capture, utilisation and storage. The Government also announced the award of £4.1m from the Getting

²¹ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

Building Fund for the “development of entrance infrastructure and public realm...including dedicated induction space and training/development space.”²²

- In addition, a planning application was submitted in Summer 2020 for the creation of 4.5m sq ft of manufacturing space capable of hosting 9,000 jobs on part of the site. In the longer term, the Mayor has stated that development of the entire site “will create 20,000 good-quality, well-paid jobs”²³



Source: <https://www.teesworks.co.uk/>

‘Progress plus’ evaluation evidence: Teesside International Airport

- 4.15** The ‘progress plus’ evaluation focuses on TVCA’s acquisition and the initial phase of operation of Teesside International Airport. Given the long term and complex routes to economic impact associated with the intervention, the evaluation team recognises fully that it is too early to attempt a robust and meaningful impact assessment in monetary terms. However, it is possible to identify emerging outcomes and consider anticipated future beneficial impacts.
- 4.16** The assessment draws on an analysis of monitoring data provided by the TVCA and 19 consultations with the delivery team, businesses based at the airport, local supply chain companies, business users of the airport, business representative organisations, and national aviation bodies. The full ‘progress plus’ findings are presented in Evidence Report 4, with a summary included below.

²² See [UK Government \(2020\) TVCA Getting Building Fund](#)

²³ <https://www.southteesdc.com/compulsory-purchase-success-a-fantastic-result-for-tees-valley/>

Introducing Teesside International Airport

- 4.17** Teesside International Airport (known as Durham Tees Valley Airport between 2004 and 2019) is situated in the eastern part of Tees Valley. The entire airport campus covers a total of 819 acres (331 hectares) with around 470 acres (190 hectares) of this relating solely to the operation of the airport. The remaining area includes land zoned for potential development, notably the ‘Southside’ land to the south of the runway.
- 4.18** In January 2019, the CA estimated that there were 400 jobs at the airport campus, including 111 staff “*directly employed or contracted to deliver certain functions*” for the airport management company. Significant third party employers with operations at the campus included: Cobham Aviation Services who provide operational readiness training to the RAF; Serco, whose International Fire Training Centre trains firefighters from across the world; and logistics firm TNT/Fedex. A flight training school and the Great North Air Ambulance were amongst the other firms also based on the airport campus.

Background and context to the intervention

- 4.19** The Peel Group acquired a majority stake in the airport from the previous consortium of public sector owners in 2003. Passenger numbers initially rose, peaking at 900k per annum in the mid-2000s, before declining significantly. By early 2019, the only regular scheduled services were to Amsterdam Schiphol and Aberdeen.
- 4.20** In the 2003 agreement, Peel committed to keep the airport open until at least 2021 and potentially to 2026 “*dependent on the achievement of financial benchmarks.*” These benchmarks were not being achieved, and as a result the CA was informed by Peel that it “*intends to close the Airport as soon as it is able to under the terms of the existing Shareholders’ Agreement [which is] in 2021.*”²⁴ Peel had earlier produced a masterplan for the site which included 350 homes on the northside development land. Closure of the airport would thus have led to a permanent loss of the existing jobs, and the loss of a longer term ability to create new jobs on employment land.

The airport intervention

- 4.21** The stated aim of the intervention as per the TVCA’s Full Business Case was to “*secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity.*”²⁵ This statement reveals how there were multiple elements that underpinned the rationale for intervention, including a desire to retain air travel because of the broader economic benefits that this brings, as well as developing a large, high quality business park on the wider campus.

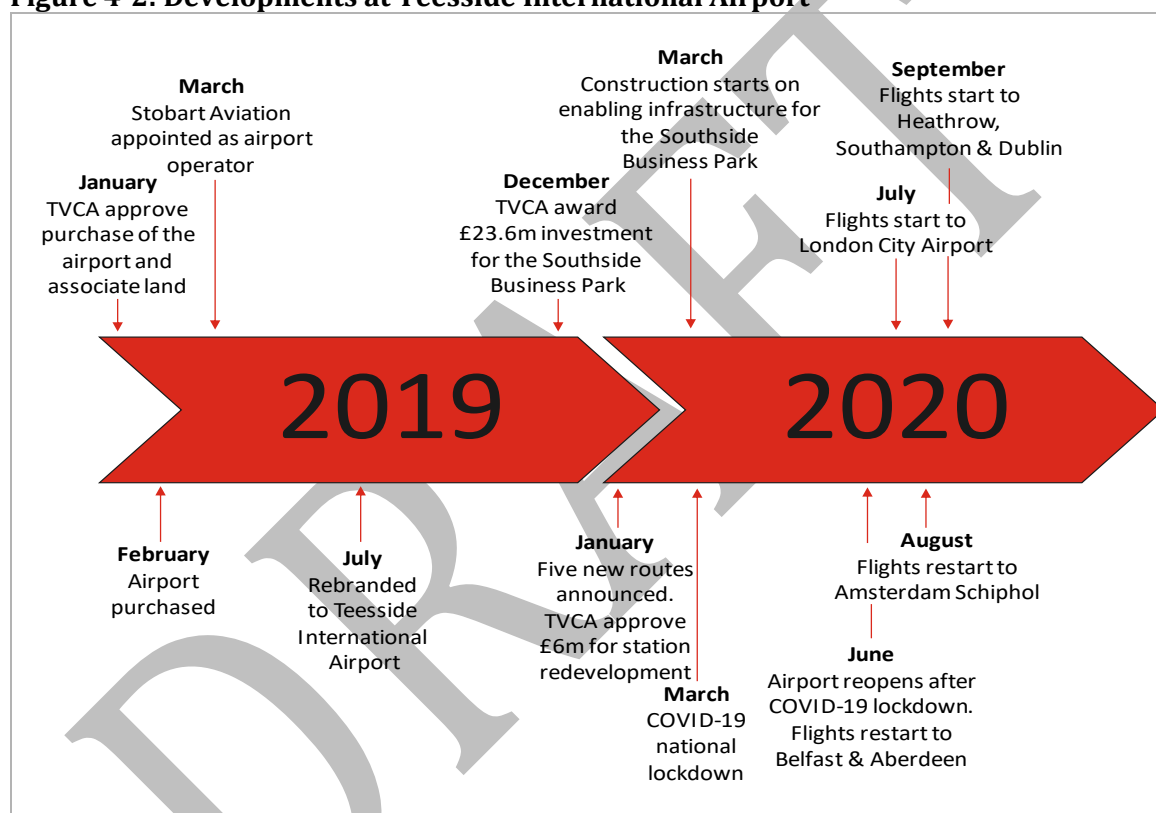
²⁴ Acquisition and Operation of Durham Tees Valley Airport – report to TVCA Special Cabinet Meeting 24th January 2019

²⁵ TVCA (2019) Full Business Case: Securing the Future of Our Airport

4.22 The Investment Fund was used to purchase Peel's share in the airport operations and wider campus for £40.2m in January 2019. The CA also agreed to provide £34.4m of additional support from the Investment Fund to cover the expected operating losses and capital expenditure needed at the airport over a 10 year recovery plan period.

4.23 The graphic overleaf illustrates key milestones since the CA's purchase of the airport. This includes two complementary developments financed through non-Investment Fund sources which will be required to maximise the beneficial impacts of the airport intervention: the redevelopment of the airport's railway station; and the creation of up to 3.4m sq ft of aviation/logistics focused business space on the Southside land.

Figure 4-2: Developments at Teesside International Airport



Source: SQW 2020

Key findings on progress to date

4.24 Public sector intervention to acquire a strategically important asset, such as an airport, is often contentious because of the significant sums of money involved and political debates around nationalisation. Purchasing an underperforming airport is also risky because of the considerable difficulties associated with making the operations financially sustainable over the long term. The challenge that the Combined Authority and elected Mayor faced in securing support and consensus amongst the partnership, and their success in doing so, should therefore not be underestimated – it represents a significant achievement. Partners have collectively shown an impressive level of ambition in supporting this intervention. The

Investment Fund was crucial to this because of the scale, certainty and flexibility of the finance that it provides. In short, the Fund has supported the delivery of a local priority intervention.

- 4.25** The scale of funding already committed to the airport (£74.6m over ten years, wholly from the Investment Fund) and future funding required to develop the Southside mean that, along with Teesworks, the airport will be one of the largest strategic economic development interventions supported by the Combined Authority for the foreseeable future.
- 4.26** The complex acquisition agreement and the process of securing a suitable JV partner to operate the airport were progressed promptly and this provided a good early platform for the project. By successfully acquiring the airport, the CA avoided the negative effects which could have been associated with Peel’s planned closure of the site and the resulting economic shock. The intervention has therefore helped to turn a significant socio-economic threat into a strategically significant economic development opportunity, albeit one that will require considerable ongoing financial support and commitment if it is to be realised in full.

Table 4-3: Aim and SMART targets

Aim	To secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity.
Target 1	Purchase of the airport by end March 2019
Target 2	The attraction of 10 additional routes by 2022
Target 3	The attraction of a low-cost carrier by 2022
Target 4	The increase in freight tonnage to 500 tonnes per annum by 2023
Target 5	Tenfold increase in passenger numbers to 1.3m by 2023
Target 6	Increase the propensity of Tees Valley residents to fly to the current national average of 3.41 flights per annum (from a baseline of 1.9) by December 2028

Source: SQW, based on Airport Business Plan

- 4.27** The early evidence suggests that progress in securing new flights and efforts to persuade a low cost carrier to consider the airport as a viable investment option has also gone well – particularly when considered against the very challenging backdrop for the UK’s aviation industry presented by Covid-19. However, because of the pandemic, passenger numbers over the April-August 2020 period are much lower than those achieved for the same period in 2019.
- 4.28** Covid-19 is also a risk to achieving future air passenger related outcomes, including the long-term viability/sustainability of some routes already announced. Whilst new routes have been secured at Teesside International, other regional airports and indeed many airlines are struggling. Consultation evidence on future expectations of passenger growth was mixed, but there may be an opportunity for Teesside International to use its relatively low-cost base to capitalise on the widespread disruption facing the industry.

- 4.29** The aim of the intervention has always been wider than passenger operations, and explicitly includes the development of a major new business park. The emergence of Covid-19 means that this diversification is now more important than ever. Partners have a very ambitious vision for the development of up to 3.4m sq ft of employment floorspace at the Southside business park to maximise the beneficial economic impact generated by the wider airport campus. This element of the intervention is also in its infancy, but progress here is encouraging with (non-Investment Fund sponsored) activity on enabling infrastructure works underway, and a private sector partner identified to support the longer term development of the site. However, if the Southside is to achieve its potential and become one of the largest employment hubs in the Tees Valley, significant (public sector) finance will be required in the construction phase.
- 4.30** Finally, and despite this promising early progress, the long-term risks to the airport operations in particular remain substantial. The extent to which the intervention achieves its objectives will, to a large extent, be determined by the scale and nature of the impact Covid-19 has on the future of air travel over the coming years – something which is outside the CA's control and still very uncertain at the time of writing.

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5. Assessment of economic impacts

Key findings

- The TeesAMP intervention has successfully remediated 11ha of land and constructed 16,722sq.m of advanced manufacturing space on a site which had not previously been brought forward for development because of significant land and property market failures.
- Notably, these outputs have been achieved on budget (Investment Fund spend of £2.7m is 100% of target, and total spend of £21.6m is 96% of target to date) and with a limited delay despite the challenges encountered in the initial land remediation work.
- By September 2020, seven of the 14 new units had been let. Once fully occupied, these seven units could host an estimated c.140 employees, and contribute an annual gross GVA of c£8m to the Middlesbrough economy. Full occupation of Phase 1 is expected by 2022, at which time the site is expected to accommodate up to c465 employees and generate an additional c£26m in gross annual GVA.
- In the longer term - through Phase 2 of TeesAMP and co-location with TWI and the recently announced Hydrogen Transport Centre - TeesAMP has the potential to contribute towards building a critical mass of high quality activity, supporting cluster development and enhancing the local innovation ecosystem.
- More broadly, TeesAMP has established a new rental benchmark for the industrial property market in Middlesbrough. Achieving rental values in excess of 40% of the average signals to potential developers that there is occupier demand and that high quality speculative development in Middlesbrough can be made viable, albeit with public sector funding in the immediate term.
- In order to make a significant adjustment to the property market so that future developments do not continue to be heavily reliant upon public sector funding in the long term, more sites need to be brought forward to affirm developer confidence in the area and start increasing land values to help close the viability gap.

- 5.1** This section presents the key evidence from the impact evaluation of the TeesAMP industrial property intervention. The detailed findings and our methodology are contained in the accompanying Impact Evaluation Evidence Report.

Coverage and approach

- 5.2** Middlesbrough Council led the TeesAMP intervention to transform a strategic development site to the south of the Riverside Park Industrial Estate. Eleven hectares (110,000sq.m) of land on the old Southwest Ironmasters foundry site were remediated to remove residual land

contaminants from the site's previous heavy industrial uses. Development activity was then split into two Phases as shown in Figure 5-1 below:

- Phase 1 involved the creation of 180,000sq.ft (c. 16,722sq.m) of premium advanced manufacturing employment space. Cleveland Property Investments oversaw and delivered the site works (including remediation works and enabling utility infrastructure) and construction programme on behalf of the Council. Phase 1 was completed by 1st June 2020 and is the subject of this impact evaluation. A photograph of the completed development is provided in Figure 5-2.
- Phase 2 focuses on the remaining undeveloped land at the site, which has the potential for a further 100,000sq.ft (9,290sq.m) of employment space. The delivery timescale and funding arrangements for Phase 2 have not yet been confirmed. Phase 2 is therefore outside the scope of this evaluation.

Figure 5-1: TeesAMP Masterplan – Phase 1 (outlined in red)



Source: SQW, based on Middlesbrough Council

5.3 The evaluation adopted a case-based approach using a combination of project monitoring data, contextual data, and primary research. Desk based activities included a document review, analysis of monitoring data, a property market review and a land value uplift assessment. The evaluation was also informed by:

- Consultations with the Council, TVCA and staff who are responsible for the management and coordination of the TeesAMP intervention

- Detailed consultations with the site contractor, developer, project advisor, local property agents and three tenants
- Senior representatives from the Council, TVCA, and the LEP who provided some wider perspectives on TeesAMP.

Figure 5-2: Aerial photograph of the completed Phase 1 development at TeesAMP



Source: Middlesbrough Council

Logic model

- 5.4** A logic model was developed to inform the impact evaluation at the Locality Framework stage. Drawing on this logic model, a summary of the evidence from the impact evaluation, setting out what has been achieved at this stage in terms of inputs, activities, outputs and outcomes, and the evidence on ‘additionality’ is set out below.

What the intervention has achieved ...			
Inputs	Activities	Outputs	Outcomes
<ul style="list-style-type: none"> Actual Investment Fund spend of £2.7m by the end of Q1 2020/21 represents 100% of planned expenditure Total project spend from all sources (including match from LGF and Middlesbrough Council) was also on track at 96% of the expected level of spend by the end of Q1 2020/21 	<ul style="list-style-type: none"> Remediation work to remove residual land contaminants from the site's previous heavy industrial uses Installation of enabling utilities (water, electricity, gas, drainage, sewerage and broadband etc.) and transport access Construction of new high quality industrial space 	<ul style="list-style-type: none"> 11ha of land remediated New transport infrastructure (incl. one roundabout) created 16,722sq.m of advanced manufacturing space created across 14 units (individual units range from 292sq.m to 2,778sq.m) 	<p>Increased supply of industrial space</p> <ul style="list-style-type: none"> Seven units occupied by six business (one tenant occupies two units) The seven units could host an estimated c.140 employees, and contribute an annual gross GVA of c£8m to the Middlesbrough economy <p>Enhanced attractiveness of the area as a place to invest</p> <ul style="list-style-type: none"> The average achieved rent at TeesAMP is 43% higher than achieved across Middlesbrough as a whole. This provides evidence that there is scope to lift rents and help close the 'viability gap' on speculative developments <p>Enhanced image and profile of advanced manufacturing in Tees Valley</p> <ul style="list-style-type: none"> TeesAMP has the potential to contribute to the development of an advanced manufacturing cluster and enhanced innovation ecosystem (incl. through a potential Phase 2) because of co-location with the TWI and

What the intervention has achieved ...

planned Hydrogen Transport Centre

... and how additional this is i.e. what would not have occurred without the intervention?

- Imbalances in the Tees Valley property market formed a core part of the rationale for intervention. Despite evidence of occupier demand, no speculative development (other than at TeesAMP) has been brought forward in the past ten years. This is due to financial viability issues (low land values and rents), costly site constraints (high remediation costs) and difficulties in obtaining finance for speculative development.
- Consultee feedback, including from the developer and Council, was clear that without the TVCA funding, the project would not have happened. In this alternative scenario, the site would have remained dormant, or been used for low grade activities e.g. open storage, until an alternative public sector funding source was found to fill the viability gap. This consultee feedback is supported by the lack of permanent development on site since the Council took ownership in 1979.
- The additionality in site development feeds into the employment and GVA outcomes. In the context of a lack of supply of modern, high quality manufacturing business space in Middlesbrough and Tees Valley more broadly, TeesAMP has supported the retention and future expansion of six firms (with an estimated c.140 employees) who would otherwise have had to look outside Middlesbrough to meet their expansion needs.

Source: SQW

Key findings on outcomes to date...

- 5.5** Full occupation of Phase 1 of TeesAMP is not expected until 2022. As such, it is currently too early to comment with any degree of certainty on the full beneficial GVA, employment and advanced manufacturing cluster development impacts expected over the longer term. However, the key outputs referenced in the original business case (the remediation of 11ha of land and subsequent creation of 16,722sqm premium employment space) have been delivered. Notably, these outputs have only been slightly delayed and have been achieved on budget. Partners have therefore successfully regenerated a large site which is close to existing industrial assets and strategically well-located, but which had not previously been brought forward for development because of significant land and property market failures.
- 5.6** There is also positive evidence that TeesAMP would not have been constructed without Investment Fund support. A combination of low rental values and high land remediation costs meant there was a 'viability gap' which prevented the private sector from bringing forward development. Even after support from Middlesbrough Council had been secured, additional support from TVCA was required to make the site a commercially viable development proposition. Further, consultation evidence suggests that existing tenants would not have been able to locate/expand in Tees Valley without the provision of modern, high quality space at TeesAMP.
- 5.7** Turning to the economic outcomes related to tenants, in the four months between the delayed completion of TeesAMP in June 2020 and the writing of this report, seven of the 14 units have been occupied. Once the activities of these tenants are fully operational, the seven units could host an estimated c.140 employees and contribute an annual *gross* GVA of c£8m to the Middlesbrough economy.²⁶ Stakeholder feedback indicates that due to the lack of appropriate accommodation in Middlesbrough, and Tees Valley more broadly, these tenant firms would have sought accommodation outside of the area in the absence of TeesAMP. This indicates that the Investment Fund project is starting to achieve positive economic outcomes that would not have occurred without the intervention.
- 5.8** The project has also created the development platform for future follow-on private sector investments in industrial/commercial developments in Phase 2 of Tees AMP. The initial works have provided the necessary physical infrastructure that will deliver, subject to demand, c.100,000sq.ft of additional floorspace, alongside the expected economic outcomes

“ We wanted a flagship facility to host our blue-chip clients; TeesAMP fits well with our image and future growth aspirations ”

²⁶ Assuming 36sq.m per employee in B2 use, as per the HCA (2015) Employment Density Guide (3rd Edition)

over the coming years. Future investments to bring development sites forward could start to overcome the viability gap, stimulate the property market and build developer confidence in the area.

...and outcomes expected in the future

- 5.9** TeesAMP is expected to lead to two types of economic outcomes in the future: one related to onsite employment and cluster development; and the second related to stimulating the local property market by closing the viability gap.
- 5.10** The full occupation of Phase 1 is expected in 2022, at which time the site is expected to accommodate up to c465 employees and generate an additional c£26m in gross annual GVA, with further job creation in the supply chain also expected. In the longer term, through Phase 2 and the recently announced Hydrogen Transport Centre alongside Phase 1 tenants and the TWI, TeesAMP has the potential to build a critical mass of high quality activity and support cluster development.
- 5.11** More broadly, TeesAMP has established a new rental benchmark for the industrial property market in Middlesbrough. The above average rental returns achieved thus far signal to the market that there is occupier demand and that high quality speculative development in Middlesbrough can be made viable, albeit with public sector funding in the immediate term. However, in order to make a significant adjustment to the property market so developments are not heavily reliant upon public sector funding in the long term, more high quality sites need to be brought forward to affirm developer confidence in the area and start increasing land values to close the viability gap.

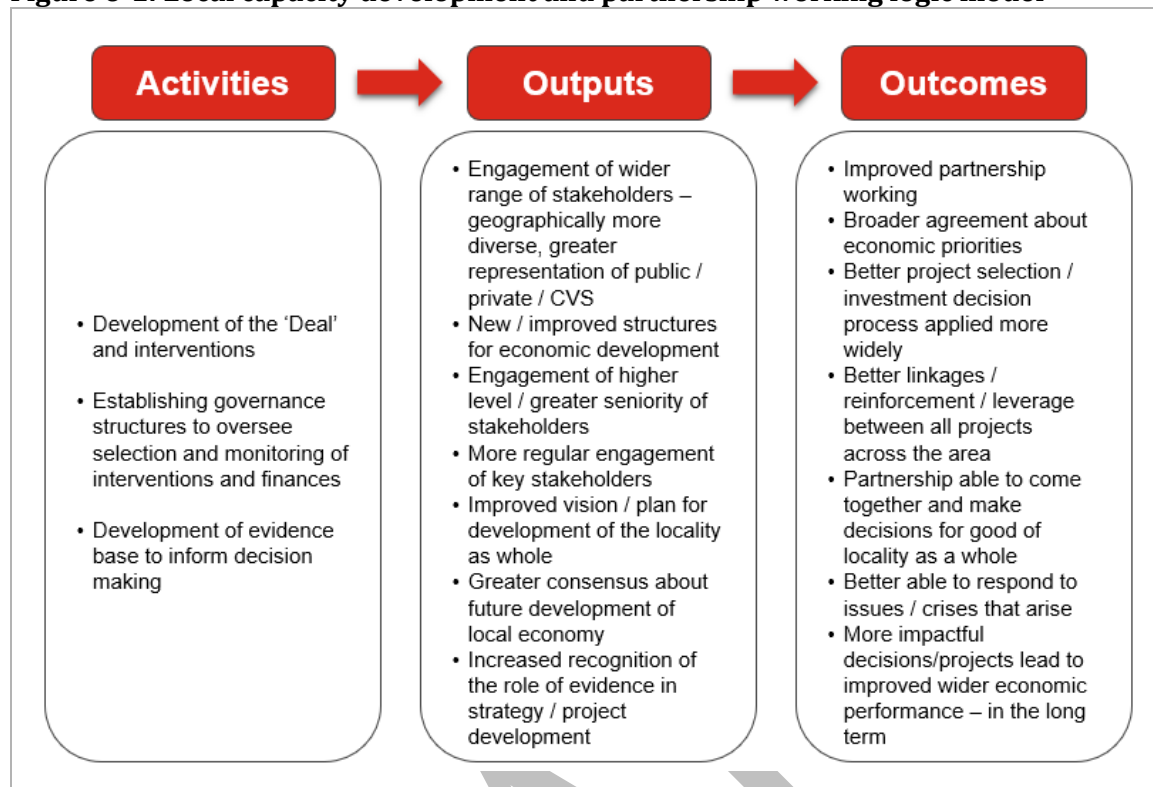
6. Wider contribution of the Investment Fund

Key findings

- The evidence from both the online surveys and the strategic stakeholder consultations demonstrates that local capacity development and partnership working in Tees Valley has improved since the Combined Authority was created. Respondents to the e-surveys considered the Devolution Deal and Investment Fund, alongside the changes in political leadership, to be the most influential factors in driving these encouraging changes. The Fund was reported to have had a particularly positive effect on local commitment and confidence in delivering growth interventions, and strategic level decision making.
- In general, the evidence suggests that the CA has engaged effectively with partners to embed this pan Tees Valley economic development mindset. Formal structures to oversee the delivery of the Investment Plan and Investment Fund, such as the Chief Executives Group and Management Group, have been important forums for this. The CA has also adopted an open and outward facing relationship to the private sector by making LEP members associate members of the CA Cabinet and conducting consultation exercises to inform the evidence for strategies and action plans.
- More broadly, the development of the ten year Investment Plan (in which the flexibility and borrowing potential of the Investment Fund plays a key role, as discussed in Section 3) illustrates strong stakeholder agreement about the long term economic priorities for Tees Valley. The interventions included within the Plan (and supported by the Fund) also highlight the partnership's strategic shift over time towards supporting fewer, but larger projects which are of pan-Tees Valley significance.
- However, there is scope for further improvement in partnership working in the future, including in relation to the engagement of the local community and voluntary sector. The CA should also continue to invest time and effort in maintaining strong and balanced relationships with partners (including the local authorities) so that decisions, including in relation to the Investment Fund, continue to be made collectively and transparently.

- 6.1** The National Evaluation Framework recommended that any evaluation work to inform Gateway Reviews should include an assessment of the effects of each fund on local capacity development and partnership working.
- 6.2** The type of activities, and the nature of the expected benefits – outputs and outcomes – for this assessment of the wider contribution of the fund is set out in **Error! Reference source not found.**

Figure 6-1: Local capacity development and partnership working logic model



Source: SQW

6.3 Evidence has been collected from two perspectives:

- at a **strategic level**, considering the contribution that the Investment Fund as a whole has made to changes in the behaviours, perspectives, and decisions of actors across the economic development landscape, via an online survey and consultations with senior economic development stakeholders across Tees Valley.
- at a **project-up level**, considering how the development and delivery of individual interventions (or groups of linked interventions) has led to changes in the behaviours, perspectives and decisions of actors across the economic development landscape, via consultations with managers of interventions, and in-depth case studies on specific interventions.

6.4 The detailed findings from the research is set out in the accompanying Capacity Development and Partnership Evidence Report, including the results from two waves of the online survey and case study write-ups.

Evidence from the online survey

6.5 Nineteen people responded to the 2019 survey and 21 responded to the 2020 survey. Characteristics of respondents to the two surveys are broadly comparable, with similar numbers of people involved in the governance of the Investment Fund or projects sponsored by the Fund, and those involved in project implementation. Respondents to both surveys

included local authorities, the CA, representatives from the private sector, and local FE colleges.

Responses suggest that local economic development capacity has been enhanced across Tees Valley in recent years, with average scores for each of ten relevant indicators improving over time as shown in Table 4-3

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6.6 Table 6-1. However, the data suggest there is scope for further improvement in all categories, particularly in relation to the engagement of the local voluntary and community sector.

6.7 Respondents who answered both surveys considered the Devolution Deal and Investment Fund to be the two most influential factors in driving these positive changes in local economic development capacity, with changes in the local political leadership following the May 2019 elections also identified as being important.

6.8 The sentiment that effective collaboration is crucial to local economic development runs throughout the qualitative responses, with one commenting that the Fund has supported “*the five separate authorities to work together, and with the private sector towards a common vision for Tees Valley.*” Other responses to this question characterised the influence of the Fund as stemming from the potential to invest in preparatory work and bottom-up interventions.

Comments also suggested that without the Investment Fund, any changes would have been “*piecemeal and low impact*”.

“**Having the flexibility to direct funding at local priorities, where strategies and interventions are developed by local people, has led to more focused projects which have a greater impact**”

Table 6-1: Local economic development capacity and partnership working

	Median score in 2020: where 0 is very poor, and 10 is excellent ²⁷	Change in median score baseline to 2020 ²⁸
Effectiveness of partnership working in the delivery of economic development strategy and activity	8	1.5
Effectiveness of governance and management structures in the delivery of economic development strategy and activity	8	2
Effectiveness of the decision-making process for economic development interventions	8	2.5
Level of consensus on the key spatial priorities for economic development strategy and activity	7.5	1.5
Level of consensus on the key thematic priorities for economic development	7.5	1.5
Quality of the evidence base underpinning economic development	8	2
Level of synergy and inter-relationships between key economic development projects	7	1.5
Level of engagement of the private sector in economic development strategy and activity	7	1
Level of engagement of the voluntary and community sector in economic development strategy and activity	6	0.5
Level of engagement of the wider public sector, in economic development strategy and activity	8	1.5

Source: SQW analysis

Overall, the vast majority of respondents reported that the Fund had delivered a positive or very positive effect on the seven economic capacity development indicators shown in

²⁷ n=19

²⁸ n = 20 for baseline and n=19 for 2020

- 6.9** Table 6-2. The Fund was stated to have had particularly positive impacts on: overall local economic development capacity and partnership working; strategic-level decision making and planning; and local commitment to develop and deliver economic growth interventions.

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Table 6-2: Effect of the Investment Fund on local economic development capacity

	'Net' positive effect of the development and delivery of the Fund since 2016 ²⁹
Overall local economic development capacity and partnership working	93%
Strategic-level decision making and planning	93%
Local commitment to develop and deliver economic growth interventions	93%
Operational decision making (i.e. project development/selection)	86%
Local confidence to develop and deliver economic growth interventions	86%
Engagement of high level / senior stakeholders in economic growth interventions	86%
Understanding on what works in developing and delivering economic growth interventions	79%

Source: SQW analysis

Evidence from the consultations and case studies

6.10 Two waves of in-depth consultations with senior economic development stakeholders across Tees Valley were completed in early-2019 and mid-2020. In total, consultations were completed with 18 stakeholders in 2020 (including nine that were consulted in both 2019 and 2020). Consultations with project managers of Investment Fund sponsored interventions also included questions to capture 'project up' impacts on capacity development and partnership working.

Stakeholder perspectives on the strategic effects of the Infrastructure Fund

Enhancing existing levels of partnership working

6.11 Consultees emphasised that developments since the establishment of the CA must be seen in the context of a long history of partnership working between the local authorities and other key economic actors in Tees Valley. This stretches back over 20 years to the formation of the Joint Strategy Unit.

6.12 The CA has been able to build on this strong historical foundation to help strengthen partnership working in Tees Valley. It was reported that the devolution of funding and decision-making powers has given partners greater incentive to collaborate and share information as part of the process of determining how the funding should be spent. Partners were seen to be more committed because devolution – of which the Investment Fund is one

²⁹ n=14

of the most prominent examples - has provided new resource for them to use in delivering against locally identified priorities.

- 6.13** The CA recognised that it needed to increase its internal capacity and capability to support the delivery of interventions, including those sponsored by the Investment Fund. The CA's capability was reported to have improved because of the recruitment of people from legal and financial backgrounds, alongside experienced economic development professionals. More broadly, there has been a rapid increase in delivery capacity since the CA was created, with employment almost doubling from c.60 in early 2018 to c.110 in August 2020. The Development and Delivery Team introduced by the CA in 2019 (discussed below) is a good example of how this increased capacity has led to the introduction of a new structure to support Investment Fund sponsored interventions. In general, it was reported that improvements in the CA's internal capacity have also helped to 'oil the wheels' of partnership working.

Project-up benefits – strengthened relationships

In addition to the positive feedback on working with the CA on project development and delivery (see below) project managers of interventions supported by the Investment Fund also noted wider benefits of engaging with the CA. For example, a private sector consultee stated that working with the CA has provided a “*seat at the stakeholder table*” when it comes to contributing to wider strategic developments such as the Tees Valley LIS.

Investment Fund project development and delivery has also strengthened existing relationships between local authorities, the CA and wider stakeholders. Such relationships cover both local and national organisations such as the local voluntary, community and social enterprise sector, Jobcentre Plus, Department for Work and Pensions, Network Rail and the Department for Transport. Indeed, one project manager stated that “*the extent of partnership working has been really key to the project...there's a genuine willingness to make things happen*”. Project managers also noted the formation of new relationships with wider stakeholders, for example with the TWI and the TTE Training Centre (part of Middlesbrough College Group).

- 6.14** As well as the additional capacity and capability that the CA has brought to the sub-region, consultees praised the contribution of key governance structures such as the Cabinet, Chief Executives and Management Group, which have been used to oversee and manage the implementation of the Investment Plan and Investment Fund. In particular, these groups were reported to have played a key role as forums for partnership working, and in developing and leading the implementation of the Investment Plan.

Strong engagement with the private sector...

6.15 There was widespread recognition that public-private partnership working in Tees Valley had started from a strong base and had improved further over recent years – in part as a result of the Investment Fund sponsored activities and the incentive that this resource provides.

6.16 Overall, it was reported that the CA was open in seeking views from stakeholders in order to do things *with* them rather than *to* them. Positive examples highlighted to the evaluators include the consultation exercises for the Sector Skills Action Plans, Investment Plan and Local Industrial Strategy. These consultations have been used to strengthen the evidence base for subsequent interventions sponsored by the Investment Fund.

“
The LIS consultation process was extensive...and made every effort to involve the private sector

Project-up benefits - strengthening the evidence base

The development and delivery of large capital and revenue projects supported by the Investment Fund has generated additional local insight and evidence, which can be drawn on to inform ongoing project delivery as well as future strategic prioritisation and decision making. For example, a demand study with the local digital community was conducted at the start of the Boho project which helped to build the evidence base on the specific needs of local digital businesses. Similarly, the project applications received to date under the Collaborative Networks intervention have *“opened up [our] understanding of the innovation taking place within the region”*, thus improving awareness of innovative businesses that weren’t previously on the CA’s *“radar”*. This has subsequently influenced wider strategic perspectives around implementing the SEP and LIS.

The Employment and Skills Programme has also generated valuable local insight and evidence which has already been utilised effectively. For example, the Routes to Work workstream shone a spotlight on the local labour market via the achieved employment outcomes. In particular, the data highlighted a high number of zero-hours contracts which has resulted in the CA negotiating with Department of Work and Pensions (part funders of Routes to Work) to enable the CA to support those with zero-hour contracts.

6.17 In addition, private sector LEP members are all associate (non-voting) members of the CA Cabinet, so are able to provide constructive ‘check and challenge’ from a business perspective at these meetings.

...and key anchor institutions

6.18 Consultees also reported that as part of the development and delivery of the Investment Fund sponsored interventions, the CA had engaged well with anchor institutions such as Teesside University, the Centre for Process Innovation (CPI, part of the national High Value Manufacturing Catapult), the Materials Processing Institute (MPI) and TWI (formerly The Welding Institute). This strengthened relationships and improved local partnership working, as evidenced by the Memorandum of Understanding signed by the CA and Teesside University.

Securing agreement on the strategic growth narrative

6.19 The process of developing and agreeing the ten year, £588m Investment Plan (which incorporates the Investment Fund) was seen as evidence of strong agreement amongst the wider partnership on the key economic priorities for Tees Valley. Consultees considered the Plan – and the “*mature conversations*” and “*healthy debates*” involved in developing it - to be an example of successful partnership working.

“
**The Investment Plan
 has led to greater
 cohesion as
 everyone
 understands the
 shared priorities**”

6.20 There was also clear agreement that Teesworks and Teesside International Airport were the main interventions which will facilitate future economic growth across Tees Valley. It is notable that both have been sponsored by the Investment Fund. Overall, stakeholders were confident that with the Investment Plan and associated Assurance Framework in place, the CA has a clear and up-to-date mechanism to guide future Investment Fund project selection and prioritisation for the benefit of Tees Valley as a whole.

Embedding a pan Tees Valley mindset

6.21 The Investment Plan also highlights the CA's move towards funding fewer, but larger projects which are of pan-Tees Valley significance, notably Teesworks and the airport. Whilst the latter intervention generated "*a huge amount of controversy*", it has also set the standard for what partners want to achieve for Tees Valley over the longer term. It was reported that the scale and long term nature of the Fund meant that it was the only source of finance available to the CA which could be used to progress the airport intervention. Without the Investment Fund, it would therefore not have been possible for local partners to deliver on a promise made by the elected Mayor to 'save' the airport.

“The CA is now using the Investment Fund to support projects that have a regional impact even if they are physically located in one council area”

6.22 The financial incentive which the Investment Fund provides for partners to work together has, indirectly, also influenced decisions on non-Investment Fund sponsored intervention. The improved levels of partnership working and adoption of a pan-Tees Valley mindset which the Investment Fund has helped to foster are reflected in the Middlesbrough and Darlington Station upgrades, interventions to support the biosciences sector and discussions around a proposed new waste processing facility to be shared by all five councils. All of these schemes are good examples of interventions which are/will be based in one area but will benefit all five councils and generate pan-Tees Valley beneficial impacts.

Feedback on the 'project-up' benefits generated by the Investment Fund

6.23 In addition to the project-up cameo boxes above, consultations with project managers also highlighted that the devolved Investment Fund has led to new processes and systems which have contributed to effective project development and delivery. A key example is the CA's introduction of a dedicated Development and Delivery Team to support partners to develop robust Business Cases and deliver complex projects.

6.24 The CA recognised that this additional capacity (and capability) was required because of the higher number of business cases it was receiving, in part because the devolved Investment Fund gave partners greater incentive to develop and submit businesses cases. Whilst its creation was encouraged by the Investment Fund, the introduction of this Team has also supported the design and delivery of non-Investment Fund supported projects.

6.25 Through this team, the CA offers "*as little or as much help as needed*" depending on the experience, capacity and skills-set of the applicant in question. For example, the CA team worked closely with the Northern School of Art to develop its Full Business Case for its relocation. There is also a dedicated officer at the CA who works on the Indigenous Growth

Fund programme to help local authorities to shape their submissions to the Fund. The CA reported that the quality and clarity of business cases they receive has improved significantly as a result of this collaborative approach.

- 6.26** The same team within the CA also offers support in project delivery, alongside wider members of the CA with relevant expertise. Several project managers emphasised that having the CA represented on the project delivery board has worked extremely well. Not only has the CA's involvement helped to ensure "*loud and clear lines of communication*" and that all parties are kept updated on progress and involved in making key decisions, it has also been beneficial for troubleshooting. Project managers described the CA as being supportive, "*very open to suggestions*", and proactive at solving issues that have arisen during delivery. More broadly, improved access to the CA's technical expertise has encouraged knowledge sharing across other CA sponsored projects.

Case Study 1: Middlesbrough Rail Station

Following completion of the primary research in early August 2019, it was announced that Middlesbrough Station would be allocated a proportion of the £17.4m funding which the CA secured from the government's Getting Building Fund. As a result, devolved Investment Fund monies will no longer be used to support this intervention. However, the case study is retained in its original form because, at the time of the research, the consultees expected to receive devolved Investment Fund monies.

- 6.27** Improvement works to Middlesbrough Station's undercroft are being supported by the devolved Investment Fund. These works form a discrete part of the station's wider £33.95m redevelopment package. The aim of the intervention is to create an enhanced gateway to the town that accommodates current and future capacity needs and supports the economic regeneration and growth of Middlesbrough.
- 6.28** The Station's undercroft was identified as being unsafe during a routine structural survey carried out by Network Rail in April 2014. Intervention was therefore required to repair the building. Initially, the 'do minimum' option to make the undercroft safe was the favoured approach. However, partners including Network Rail, the Department for Transport, Middlesbrough Council and the Combined Authority, identified an opportunity to unlock wider beneficial economic impacts through the creation of new commercial space within the undercroft. Effective partnership working has resulted in the development of a scheme designed to meet the objectives of all partners and remain fully aligned with the wider vision for the future of the Station. The strength of the partnership working has also resulted in an enhanced focus on local procurement and maximising social value in the delivery of the scheme.
- 6.29** Going forwards, the positive relationships fostered across the partnership are expected to persist during the delivery phase. It was also reported to the evaluators that there will be wider benefits felt across Tees Valley more broadly, in relation to major strategic infrastructure projects such as the development works at Darlington Station.

Case Study 2: Education and Careers

- 6.30** The Education and Careers Programme is intended to improve attainment and careers provision within Tees Valley. It includes an Education Collaboration and Innovation Fund established to support innovation projects led by schools. The Careers strand includes a range of interventions to help all local schools to achieve the eight Gatsby Benchmarks, which reflect best practice in careers education, information, advice and guidance.
- 6.31** The design of the Programme was informed by an extensive consultation process and comprehensive data analysis. The evidence base was used to identify key challenges that the interventions should target, and to guide the precise format of the support on offer. It has played a formative role in the creation of the Education Improvement Board (EIB) which draws together key partners from across the education landscape, with partners also working on individual Workstream Groups.
- 6.32** The Programme and EIB were reported to have crystallised the TVCA's role within the education system and fostered a dominant culture of collaboration. The Programme includes a strong focus on engaging employers in local careers provision and ensuring that there is high quality data to improve insight and decision-making.
- 6.33** Devolved responsibility for the funding was considered to have added value by improving the extent to which funding for education and careers interventions is flexible and responsive. Encouragingly, it was also reported to the evaluators that the model had given rise to greater strategic oversight and a much clearer sense of shared ownership across partners.

Annex A: Gateway Review Indicators

A.1 The purpose of this Annex is to map the Gateway Review Evaluation Indicators developed by CLGU against the coverage of the final evaluation reports provided by the National Evaluation Panel. For each indicator, the table below indicates whether:

- The indicator is not covered in the final evaluation reports (as it falls outside the scope of the work of the National Evaluation Panel)
- The indicator is partially covered in the final evaluation reports, but further information may be required from the Locality to respond fully (there are notes below to explain this partial coverage)
- The indicator is covered fully in the final evaluation reports.

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A: Evidence of Investment Fund intervention progress (relevant for all projects assessed)

Table **Error! No text of specified style in document.**-1: Evidence of intervention progress (relevant for all projects assessed) indicators

Indicator	Coverage	Location of evidence in National Evaluation Panel (NEP) reports
1. Explanation of the approval process you followed for the intervention including:		
a) How the intervention was agreed by the CA, City Board or Cabinet, including a description of how challenge or disagreement being handled effectively, where applicable	Not covered	N/A
b) How the views of stakeholders were considered during intervention development	Not covered	N/A
c) How the intervention aligns with pre-existing investment programmes in the area	Not covered	N/A
d) How the business case process was appraised (N.B. Robust appraisal should demonstrate value for money and potential for positive economic impact, developed in line with the HM Treasury Green Book)	Partially covered	<ul style="list-style-type: none"> See Evidence Report 1 – Capacity (Section 1) for an introduction to the Assurance Framework
e) How the intervention fits with pre-existing stakeholder frameworks, strategies and plans	Not covered	N/A
2. Explanation of the delivery process to date, including:		
a) Intervention milestones agreed at Board level that are likely to result in successful delivery of the intervention	Not covered	N/A
b) Delivery of the intervention against agreed intervention milestones with evidence of adjusting project/programme plans to	Fully covered	<ul style="list-style-type: none"> See Sections 4 and 5 of this report Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections, 2, 4 and 5)

mitigate the impact and to ensure value for money and successful delivery		<ul style="list-style-type: none"> ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Section 4)
c) An agreed spending profile for the intervention	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections 2, 4 and 5) ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Section 4)
d) Evidence of keeping to the spending profile and mitigating overspend or delays including evidence of adjusting spending and project/programme plans to mitigate the impact and to ensure value for money and successful delivery	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections 2, 4 and 5) ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Section 4)
e) Outputs generated to date by intervention activities	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections 3 to 5) ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Sections 4 and 5)
3. Local evaluation plans and commitment to Investment Funds evaluation activities including the Independent Panel evaluation beyond the first gateway review in line with agreed milestones	Partially covered	<ul style="list-style-type: none"> • The scope of the NEP work has been on Gateway Review 1. A Locality Evaluation Plan was agreed, and this is referenced at Section 1 of this report.

Source: SQW

B: Evidence of intervention impact (relevant where projects have been delivered)

Table **Error! No text of specified style in document.**-2: Evidence of intervention impact (relevant where projects have been delivered) indicators

Indicator	Rating	Notes
1. Evidence that all evaluation activities set out in the evaluation plan developed by SQW has been completed. Evaluation plans developed sets out a range of activities, such as surveys, and before and after data comparisons that would inform reporting against logic models	Fully covered	<ul style="list-style-type: none"> • See Section 3 for an overview of the approach. • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Section 1) ➢ Evidence Report 2 – Progress (Section 1) ➢ Evidence Report 3 – TeesAMP (Section 1) ➢ Evidence Report 4 – Teesside International Airport (Section 1)
2. Evidence of delivery of the outcomes specified in the agreed logic model for each intervention	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 3 – TeesAMP (Section 6) ➢ Evidence Report 4 – Teesside International Airport (Section 5)
3. Where possible, evidence showing a reasonable expectation that interventions will have long-term positive economic benefits	Partially covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 3 – TeesAMP (Section 6) ➢ Evidence Report 4 – Teesside International Airport (Section 5)
4. Where possible, a description of outcomes that are expected to be delivered in the future	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 3 – TeesAMP (Section 6) ➢ Evidence Report 4 – Teesside International Airport (Section 5)
5. Delivery of information and data to SQW to evidence the outcomes of specific interventions	Fully covered	

Source: SQW

C: Evidence of capacity development and partnership working

Table **Error! No text of specified style in document.**-3: Evidence of capacity development and partnership working indicators

Indicator	Rating	Notes
1. Description of leadership roles and responsibilities assigned within the locality	Not covered	N/A
2. A description of engagement between local authorities within the locality on development and decision-making, both in relation to specific interventions (where appropriate) and the Investment Fund as a whole	Partially covered	<ul style="list-style-type: none"> • See Sections 3 and 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4) ➢ Evidence Report 2 – Progress (Sections 4 and 5)
3. Evidence that the City, CA or Cabinet has engaged stakeholders of a wider range, greater seniority and, where relevant, greater regularity than under previous governance and funding arrangements	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4)
4. Evidence that the City, CA or Cabinet considered stakeholders' views during decision-making	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4)
5. Evidence that stakeholders felt it was easier and more beneficial to engage with the City, CA or Cabinet than with previous governance arrangements	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4)
6. Description of how the new governance structures for economic development have affected decision-making across the locality	Fully covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 1 to 4)
7. Evidence of an improved plan for the development of the locality as a whole including evidence of consensus among stakeholders about the future development of the local economy compared to under previous governance and funding arrangements.	Fully covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Section 3)

8. Description of how evidence has been used in the development of strategies and projects	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 1 – Capacity (Section 3)
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Source: SQW

D: Contextual economic forecasting and comparison to out-turns

Table Error! No text of specified style in document.-4: Contextual economic forecasting and comparison to out-turns indicators

Indicator	Rating	Notes
1. Forecast of economic growth in locality for GVA and employment to Year [5 or 10]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C
2. Forecast of economic growth nationally for GVA and employment to Year [5 or 10]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C
3. Out-turns of economic growth in locality for GVA and employment to Year [x]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C
4. Out-turns of economic growth nationally for GVA and employment to Year [x]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C

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Annex B: SQW Peer Review comments

B.1 [NBSQW – To be inserted after academic panel approve note of peer review meeting]

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Annex C: Economic forecasts and out-turns

C.1 This Annex provides further details regarding the economic forecasting. It includes an overview of the approach, interpretation of the results including any limitations, and the detailed data from both the baseline forecasts and analysis of out-turns.

Approach

C.2 As part of the Baseline Report, Cambridge Econometrics (CE) developed tailored baseline economic forecasts for Tees Valley, based on a version of CE's Local Economy Forecasting Model (LEFM) that was available in 2015.

C.3 The initial forecasts used the LEFM and were based on historical growth in the locality relative to the region or UK (depending on which area it has the strongest relationship with), on an industry-by-industry basis. It was assumed that those relationships would continue into the future.

C.4 The initial forecasts were then revised to take account of specific growth plans or major interventions that were in place at the time the Investment Fund was approved, and which could reasonably be expected to influence economic growth over the period to the first Gateway Review. This involved desk-based research and a workshop with representatives from TVCA. The tailored forecasts were then developed within a version of LEFM calibrated to the Tees Valley economy, including the GVA and employment adjustments to the non-tailored baseline as agreed by the locality.³⁰

C.5 This Annex compares the tailored forecasts developed for the Baseline Report with the actual outcomes over 2013-2019.³¹ Comparisons are made at the level of the Tees Valley economy as a whole and at sectoral level.

Interpreting the results

C.6 The forecasts set out in the Baseline Report and the more recent historical data to 2019 are both based on CE's historical employment and GVA databases, allowing for comparison across the two datasets. While the method to process the data in the Baseline Report and the actual outturn data are equivalent, it is important to note three differences in the underlying raw data when interpreting the results:

- **The last year of actual local area employment data in the most recently published data is 2018.** The local area employment data in 2019 are estimates based on actual

³⁰ Further details regarding the methodology and the effects of the tailoring are set out in the Baseline Report.

³¹ The local area employment data in 2019 are estimates based on actual regional data. While the local area GVA data in 2019 are projections and are not based on actual regional data, they have been included for comparisons.

regional data.³² Changes at the regional (North East) level over 2018-19 are proportionately disaggregated across all local authorities in the North East. The 2019 local area employment figures are therefore estimates, allowing an additional year to be used in the analysis. It is important to bear in mind, however, that the actual 2019 local area figures could be higher or lower if changes at the regional level were concentrated in particular areas within in the North East.

The local area GVA data in 2019 are projections and are not based on actual regional data. They are modelled results, based on CE's standard method to produce baseline economic projections.³³ They have been included for comparisons.

- **The price base of the GVA data has changed from £2011 in the baseline forecasts to £2016 in the latest historical data.** The absolute GVA levels, therefore, cannot be compared between the two datasets. In order for both datasets to be compared, an indexed series has been created for both datasets where the GVA data in 2013=100. This allows recent growth rates to be compared with forecast growth rates. A similar approach has been applied when analysing the employment and productivity data.
- **ONS published new local authority, NUTS2- and NUTS3-level GVA estimates based on an improved (balanced approach) methodology in 2018.**³⁴ These new data have been incorporated into CE's historical database. The raw GVA data used in the Baseline Report was based on the old (income approach) NUTS2 GVA data available at the time, as the NUTS3 GVA data was considered to be less robust.

Additionally, ONS have published the latest NUTS2 GVA data by more detailed sectors than were available when the LEFM used in the Baseline Report was updated.

The incorporation of raw GVA data at lower spatial levels means that in some instances GVA has been redistributed between local areas and sectors within a NUTS2 area. This could lead to differences between the GVA data used in the Baseline Report and the latest GVA data. However, the effect on total GVA for a larger area, such as Tees Valley, and the effect on the growth rates by sector within the area will be limited, as this comparison focuses on broad sectors (not the detailed sector level in the new GVA data). A comparison between the forecasts is, therefore, still valid when analysing the indexed growth rate.

C.7 These changes in the raw GVA data mean that any differences observed when comparing the GVA forecasts from the Baseline Report with the actual outturns data could be due to the change in the GVA price base, improvements in the measurement and reporting of the GVA data and/or differences in what was expected in 2015 versus what actually happened. There

³² This is due to the ONS release schedule for data. While 2019 regional employment data has been published, the 2019 employment estimate for local authority districts will not be released until the end of September 2020.

³³ Further details regarding the standard methodology for CE's baseline projections are set out in the Baseline Report.

³⁴ Balanced approach data is created by combining income and production approach data – a summary of how these approaches differ at the aggregate level can be found [here](#). A summary of how these two data sets are combined can be found [here](#).

could be cases when variations between forecasts and actual data are better accounted for by methodological issues. However, the impact on growth rates at the Tees Valley level are likely to be limited. It is difficult to estimate the relative scale of importance between the factors causing possible differences, as they will affect each local area and sector differently. Therefore, greater focus should be on comparing forecast and actual growth rates, rather than absolute levels, particularly as the price base of the GVA has changed.

Detailed data

C.8 The closure of the SSI steelworks in 2015 was a significant economic shock to Tees Valley and is an important contextual factor in interpreting the area's subsequent performance. The closure resulted in the immediate loss of over 2,000 jobs at SSI and "*negatively impacted on around 2,070 jobs in the wider supply chain.*"³⁵ The negative impact was so significant that the Government announced an £83m support package. The out-turn data below should be seen in this challenging context.

GVA

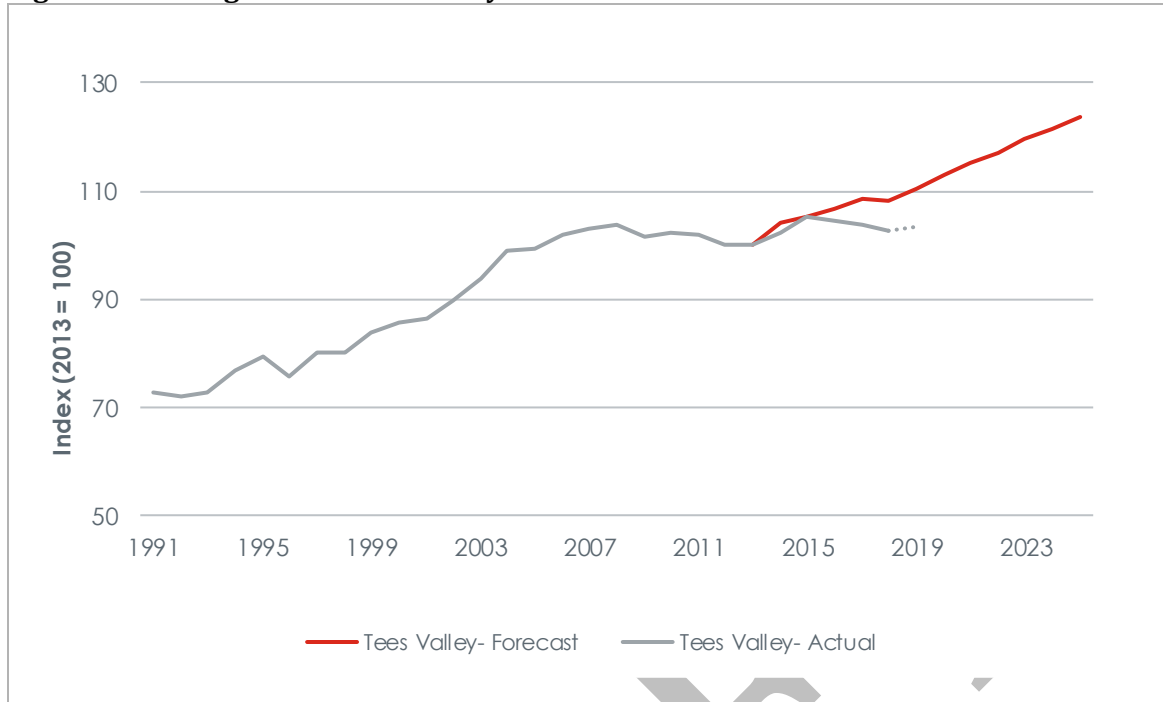
C.9 Actual GVA growth in Tees Valley and the North East over 2013-19 was slower than expected (see Figure C-1 and Figure C-2). Tees Valley's GVA grew by 0.5% p.a. over 2013-19. This is much slower than the UK, which grew by 1.9% p.a. over this period. Tees Valley also underperformed in comparison to the wider region (the North East), which grew by 0.9% p.a. over the same period.

C.10 Actual GVA growth per annum in Tees Valley over 2013-19 was nearly one percentage point (pp) lower than was forecast in the Baseline Report (1.6% p.a.). This is in line with the North East, where GVA growth per annum also underperformed the forecast by 0.8 pp. However, GVA growth in the UK as a whole over this period was broadly in line with expectations.

C.11 The main drivers of the lower than forecast GVA growth were Transport and storage, Mining and quarrying, and Manufacturing, which accounted for 16% of total GVA in Tees Valley in 2019 and all 'underperformed' against the forecast by at least 4pp. (see Table C-1). Of the remaining industries, only Electricity, gas and water, and Government services outperformed the forecast (both by less than 1pp).

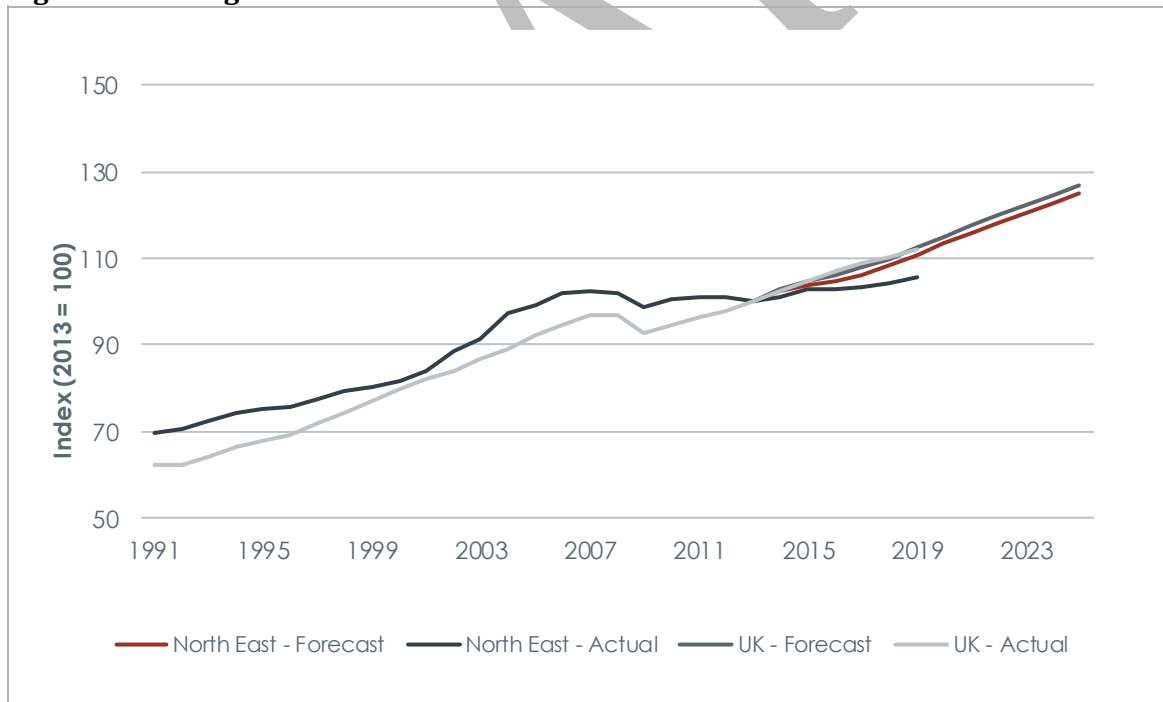
³⁵ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

Figure C-1: GVA growth - Tees Valley



Source: Cambridge Econometrics

Figure C-2: GVA growth - North East and UK



Source: Cambridge Econometrics

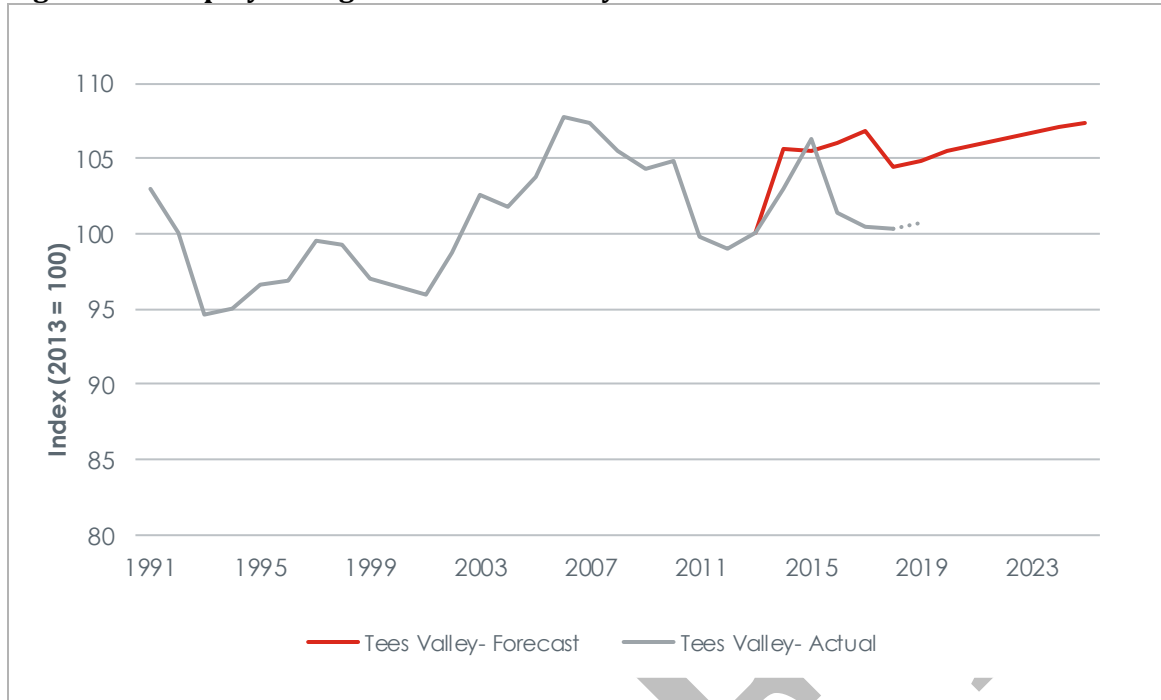
Table C-1: Tees Valley GVA growth by sector, 2013-2019

Sector	Forecast growth (p.a. %)	Actual growth (p.a. %)	Percentage point difference (actual minus forecast)
Agriculture	0.2	-1.7	-1.9
Mining & quarrying	-1.2	-6.5	-5.3
Manufacturing	1.3	-3.0	-4.4
Electricity, gas & water	0.9	1.1	0.2
Construction	3.5	1.4	-2.0
Distribution	2.1	1.9	-0.2
Transport & storage	3.2	-4.0	-7.3
Accommodation & food services	2.0	0.9	-1.1
Information & communications	3.3	2.1	-1.1
Finance & business services	2.0	1.4	-0.6
Government services	0.3	1.2	0.9
Other services	1.6	0.2	-1.3

Employment

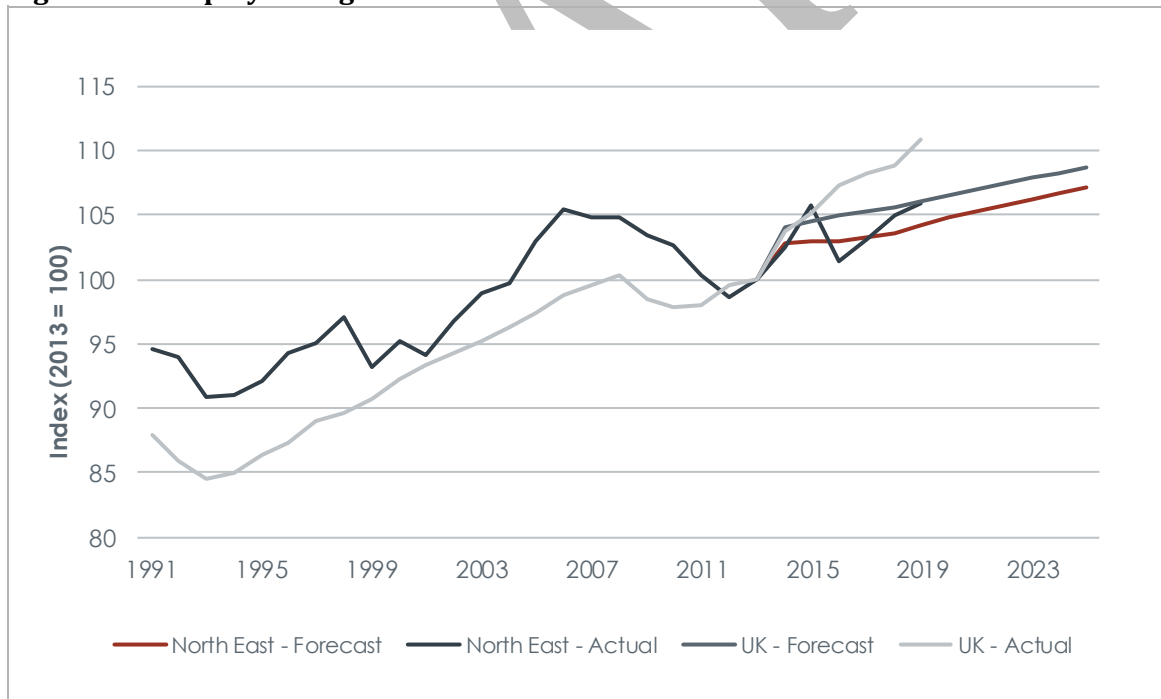
- C.12** Employment grew below expectations in Tees Valley, while it grew above expectations in the North East and the UK as a whole (see Figure C-3 and Figure C-4). Tees Valley started to deviate from the expected growth path in 2016, and this gap has been maintained throughout the remainder of the forecast period.
- C.13** Employment in Tees Valley grew by 0.1% p.a. over 2013-19, compared to a forecast of 0.8% p.a., resulting in 8,700 fewer jobs in the area by 2019 than expected. This is particularly stark when compared to the wider region. Despite some volatility in the growth rate, employment in the North East outperformed the forecast by 37,600 jobs in 2019. Similarly, employment in the UK grew by 1.7% p.a. over 2013-2019 compared to the expected 1% p.a., resulting in 1.7 million more jobs in 2019 than forecast.

Figure C-3: Employment growth – Tees Valley



Source: Cambridge Econometrics

Figure C-4: Employment growth – North East and UK



Source: Cambridge Econometrics

C.14 The biggest difference between forecast and actual employment growth rates were in Agriculture and Electricity, gas & water. However, these are relatively small sectors and only account for about 2% of total employment in Tees Valley. The sectors which drove the 8,700 jobs gap between expected and actual employment were Government services, Financial and business services, and Construction (see Table C-2). These sectors are the largest employers

in Tees Valley, accounting for over half of all jobs. Lower than expected employment in these sectors was partially offset by employment growth in Accommodation & food services, Information & communication and Manufacturing, which performed more strongly than expected.

Table C-2: Tees Valley employment growth by sector, 2013-2019

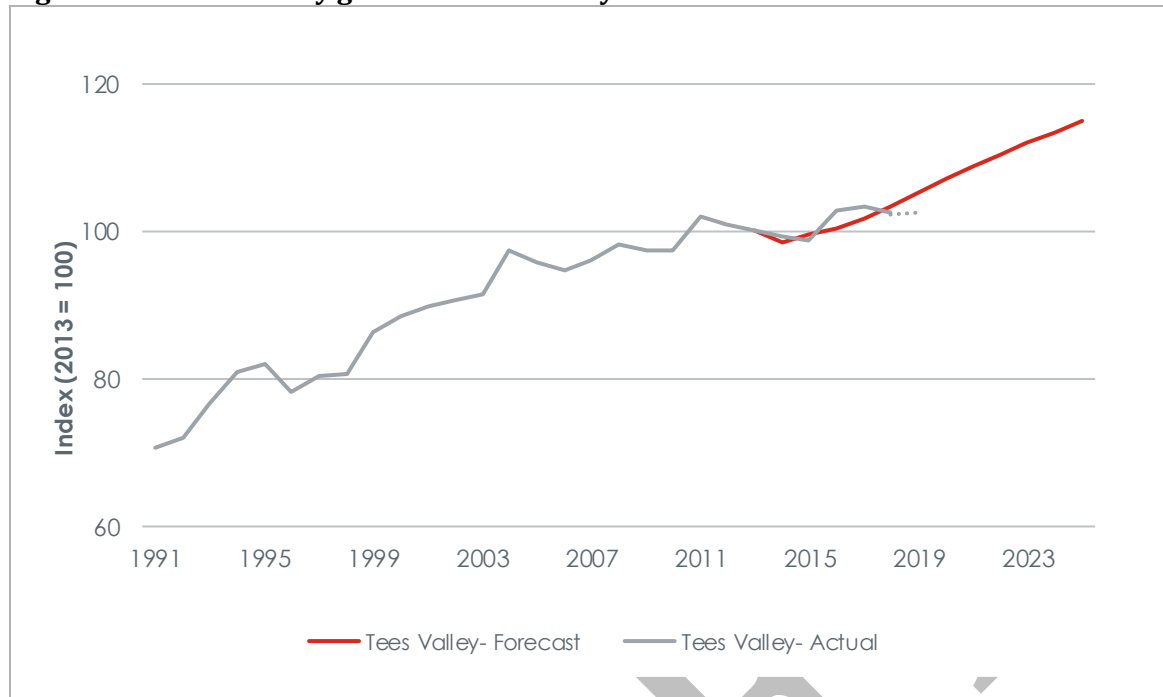
	Forecast growth (% p.a.)	Actual growth (% p.a.)	Percentage point difference (actual minus forecast)
Agriculture	1.7	-10.6	-12.3
Mining & quarrying	-5.8	-6.9	-1.1
Manufacturing	-1.5	-0.4	1.1
Electricity, gas & water	2.8	-3.5	-6.3
Construction	1.8	-0.3	-2.0
Distribution	1.0	0.5	-0.5
Transport & storage	0.8	0.4	-0.3
Accommodation & food services	0.5	2.9	2.4
Information & communications	-1.0	0.8	1.8
Finance & business services	1.9	0.1	-1.8
Government services	0.5	0.0	-0.5
Other services	1.7	-0.3	-1.9

Productivity

C.15 Average productivity growth for Tees Valley over the period (2013-19) was below expectations, similar to trend observed in the North East and UK as a whole (see Figure C-5 and Figure C-6). Productivity in Tees Valley was forecast to grow by 0.8% p.a. over 2013-19 in the Baseline Report, but actual growth was half of this rate (0.4% p.a.). However, there was significant annual variation, with productivity growth of 4% in 2016, followed by negative growth of -1.0% in 2018.

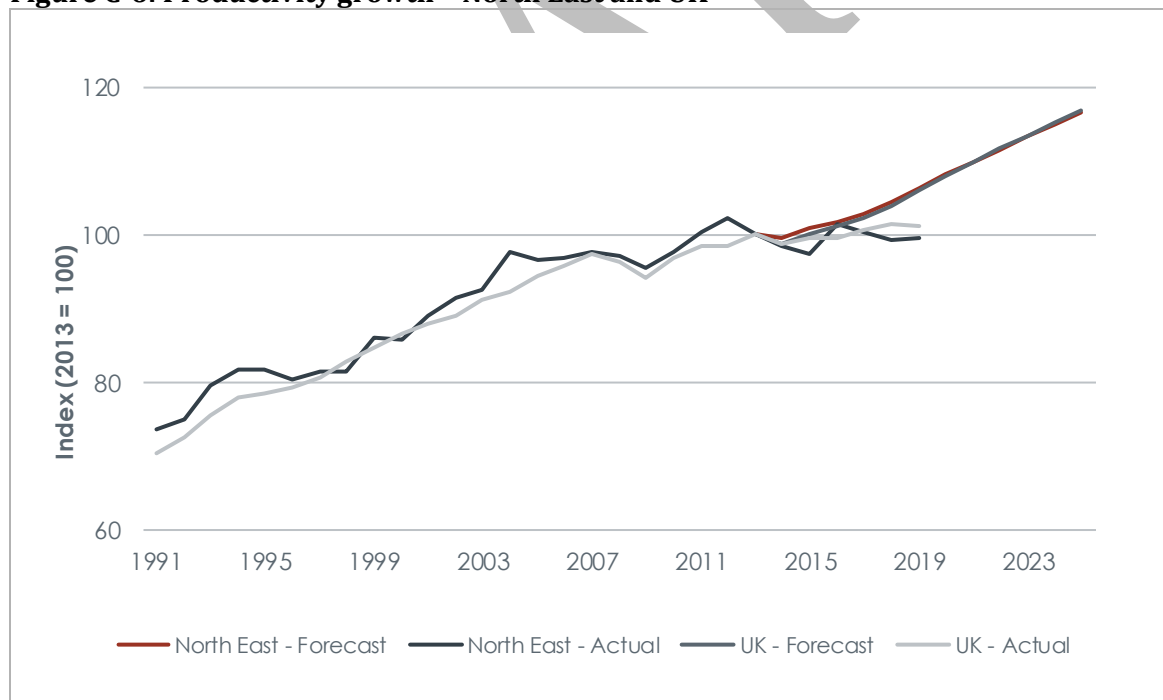
C.16 Despite being slower than expected, it is notable that productivity growth in Tees Valley over 2013-19 outperformed growth at the North East and UK levels (the former declined by 0.1% p.a., whilst UK productivity grew by 0.2% p.a.).

Figure C-5: Productivity growth – Tees Valley



Source: Cambridge Econometrics

Figure C-6: Productivity growth – North East and UK



Source: Cambridge Econometrics

C.17 Productivity growth underperformed expectations across almost half of Tees Valley’s sectors (see Table C-3). Transport and storage, Manufacturing, and Mining and quarrying were the weakest performers relative to expectations, whilst Construction, Distribution and Other services performed closer to expectations. More positively, productivity growth over 2013-

19 exceeded forecasts for Agriculture, Electricity, gas and water which outperformed expectations by 11.4 pp and 6.6 pp respectively.

Table C-3: Tees Valley productivity growth by sector, 2013-2019

	Forecast growth (% p.a.)	Actual growth (% p.a.)	Percentage point difference (actual minus forecast)
Agriculture	-1.5	10.0	11.4
Mining & quarrying	4.8	0.4	-4.4
Manufacturing	2.9	-2.6	-5.5
Electricity, gas & water	-1.9	4.7	6.6
Construction	1.7	1.7	0.0
Distribution	1.1	1.4	0.3
Transport & storage	2.4	-4.4	-6.9
Accommodation & food services	1.5	-1.9	-3.4
Information & communications	4.3	1.3	-3.0
Finance & business services	0.1	1.3	1.2
Government services	-0.2	1.1	1.4
Other services	-0.1	0.5	0.6

Source: Cambridge Econometrics

Conclusion

- C.18** Over 2013-19, productivity growth in Tees Valley was stronger than the UK, and in contrast to the UK wide trend of flatlining productivity. However, despite stronger than expected productivity growth, GVA and employment growth in Tees Valley were slower than forecast and underperformed relative to the wider region.
- C.19** Observed differences in expected GVA growth and actual GVA growth are likely to be largely due to deviation in actual growth compared to forecast growth. It is difficult to estimate the extent to which improvements in the ONS GVA methodology causes possible variances between forecast and actual outturns, as each locality and sector will be affected differently. However, on the whole, the new ONS data are likely to have had limited impact on the deviation of actual GVA growth from what was expected in the Baseline Report at the Tees Valley broad sector level.

SQW

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About us

SQW Group

SQW and Oxford Innovation are part of SQW Group.

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SQW

SQW is a leading provider of research, analysis and advice on sustainable economic and social development for public, private and voluntary sector organisations across the UK and internationally. Core services include appraisal, economic impact assessment, and evaluation; demand assessment, feasibility and business planning; economic, social and environmental research and analysis; organisation and partnership development; policy development, strategy, and action planning. In 2019, BBP Regeneration became part of SQW, bringing to the business a RICS-accredited land and property team.

www.sqw.co.uk

Oxford Innovation

Oxford Innovation is a leading operator of business and innovation centres that provide office and laboratory space to companies throughout the UK. The company also provides innovation services to entrepreneurs, including business planning advice, coaching and mentoring. Oxford Innovation also manages investment networks that link investors with entrepreneurs seeking funding from £20,000 to £2m.

www.oxin.co.uk