

## REPORT OF STRATEGY &amp; INVESTMENT PLANNING DIRECTOR

## INVESTMENT PLAN Q3 DELIVERY REPORT

## SUMMARY

The Combined Authority Cabinet approved a ten-year Investment Plan (2019-2029) in January 2019, with a one-year on update provided and agreed at Cabinet in January 2020. The one-year on Investment Plan update gives an overview of progress made to date building on previous iterations and reaffirms our continued investment strategy for the period to 2029.

The Investment Plan performance dashboard for the period October – December 2019 which is Quarter 3 of 2019/20 is provided at **Appendix 1**. This report provides an overview of the ten year Investment Plan financial performance, an update on delivery by Investment Plan theme and highlights any perceived risk to achieving the spend forecasts within the Investment Plan.

Key messages from the Performance Dashboard include:

Of the total ten-year Investment Plan (2019-2029) programme: -

- 9.7% has been spent to date;
- 27% of investment has been spent or approved;
- 50% is in business case development; and
- 22% is uncommitted.

In year 1 (19/20) of the ten-year Investment Plan (2019-2029) we are forecast to deliver 20% of overall funds, as of Q3: -

- 54% has been approved or spent;
- 46% is in business case development and
- There are no uncommitted funds.

## RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet: -

- i. Notes the contents of the Q3 delivery report; and
- ii. Provides any feedback on the matters covered.

## INVESTMENT PLAN Q3 DELIVERY REPORT

The dashboard provided at **Appendix 1** gives a high-level overview of Investment Plan performance as of Q3, 2019/20.

**Table 1** of the dashboard sets out allocations by theme and year, as per, the Investment Plan 2019-2029. In line with financial good practice the Medium-Term Financial Plan sets

the budget for a four-year period. Therefore, the expenditure has been set out annually for year 1 through to 4 and then aggregated in year 5-10.

In summary, there has been no changes to allocations by theme this quarter. In the financial year 19/20 we are forecasting a total spend of £120.9m equivalent to 20% of total Investment Plan funds. This has been revised down from the Q2 projection of £129.8m which was equivalent to 22% of total Investment Plan funds. We have reprofiled this allocation over years 20-21 to 2022/23. This reprofiling can be attributed to general programme reprofiling across the Transport theme and a reprofiling of the spend attributable to the Northern School of Arts project following the provision of more accurate financial projections following due diligence.

**Table 2** of the dashboard sets out by each theme how projects are progressing through the assurance process, detailing spend to date, to provide an indicator of performance. In summary, as of Q3 19/20:

- **£158.9m Approved** – Agreed and in delivery;
- **£297.1m Business Case Development** – Agreed as priority projects within the Investment Plan, and are developing Business Cases for approval; and
- **£132.1m Uncommitted** – Funds remaining within the Investment Plan that are yet to be agreed or defined.

Between Q2 and Q3 an additional £72.1m of previously uncommitted funds have moved into Business Case Development, this includes £18.98m of Research, Development and Innovation Projects and £39.4m of Integrated Transport Programme projects.

**Table 3** of the dashboard sets out for each theme the forecasted expenditure as detailed in the Investment Plan and highlights any changes that have occurred. The original Investment Plan forecasted £107.1m of spend across all themes in this financial year (2019/20). This has been revised to £120.9m in Q3, an increase of £13.8m.

The Education, Employment and Skills theme has seen a reprofiling of £5.8m as reported at Q2 to £1.8m at Q3, this is however considered to be a low risk as Business Case approval for the Employment and Skills Programme and the Education and Careers Programme was made at the end of Q3. The Transport theme has seen a reprofiling of £3.4m as reported at Q2 the forecast for spend by the end of the financial year now stands at £47m. This reprofiling can be attributed to general programme reprofiling across the Transport theme with £3.7m left to spend by the end of Q4 and £43.2m of funds spent to date, this is considered to be of low risk to the overall performance of the theme.

**Table 4** of the dashboard shows the quarterly spend forecasts and the actual spend each quarter and highlights any changes. It is a risk that £63.3m of Investment Plan funds for the financial year 19/20 are forecast to be spent by the end of Q4. However, although this is a considerable risk to in-year performance, £45m of funds relate to South Tees Development Corporation activity, risk to expenditure over the lifetime of the plan can be considered to be low. A further £8.75m of funds relating to the Indigenous Growth Fund can also be considered to be an in-year risk for spend in Q4, however, it is anticipated that projects would be likely to spend in Q1/Q2 of 20/21 should expenditure not come forward in Q4 19/20 and therefore can be considered to be of low risk to the performance of the theme over the lifetime of the plan period.

**Table 5** of the dashboard shows yearly spend forecasts and spend to date for activity funded by the Previous Investment Plan 2017-2019. To date £28.7m of funds have been spent this financial year with Q3 delivering an additional £11.6m of spend in comparison to Q2. Just £12.3m (9%) of the total £140.2m of funds are subject to Business Case development,

forecasts for Previous Investment Plan 2017-2019 delivery, therefore, are considered to be low risk over the lifetime of the Investment Plan 2019-2029 period.

## NEXT STEPS

The Investment Plan delivery report is produced on a quarterly basis highlighting our financial performance by theme. We will also annually assess and report to Cabinet performance in terms of the wider outcomes and impacts from our interventions. The forthcoming Q4 report, in addition to providing an overview of the ten year Investment Plan financial performance will also set out performance and the position at year end 19/20 for:

- Progress on the targets within the Strategic Economic Plan; and
- Direct outputs and outcomes as a result of Combined Authority activity.

## FINANCIAL IMPLICATIONS

The Investment Plan update sets out the high-level activities that the Combined Authority will consider over the plan period, within an initial funding envelope of £588.2m. Each project or programme will continue to come forward as a detailed business case for due diligence and final approval by Cabinet.

## LEGAL IMPLICATIONS

None related to this report.

## RISK SUMMARY

The overall performance risk associated with the ten year Investment Plan is that the Combined Authority does not pass the Government gateway process to unlock further years of devolution deal funding. Appropriate programme and project management processes are in place to ensure that delivery is achieved.

This report highlights perceived risk in achieving the spend forecasts set out within the Investment Plan. The table below summarises the current risk rating for each thematic area of the Strategic Economic Plan both in year and over the lifetime of the Investment Plan in terms of spending. The forthcoming Q4 Investment Plan delivery report will determine our progress in terms of outcomes against the ambition set out within the Strategic Economic Plan at financial year end 19/20.

Theme	Risk in Year	Investment Plan Risk
Transport	Low	Medium
Education, Employment & Skills	Medium	Medium
Business Growth	High	Low
Culture & Tourism	Medium	Low
Research, Development & Innovation	Medium	Medium
Place	Medium	Low
Investment Plan (2017-2019):	Low	

## **CONSULTATION**

1. Consultation has been undertaken on the Investment Plan with the Local Authorities and Local Enterprise Partnership in line with the Combined Authority Assurance Framework with a one-year on update provided and agreed at Cabinet in January 2020.

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