

Tees Valley Combined Authority Cabinet Agenda

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Date: Thursday, 21st December, 2017 at 10.00am

Venue: Cavendish House, Teesdale Business Park, Stockton-on-Tees,
TS17 6QY

Membership:

Mayor Ben Houchen (Tees Valley Mayor)
Mayor David Budd (Mayor of Middlesbrough)
Councillor Bill Dixon (Leader of Darlington Borough Council)
Councillor Christopher Akers-Belcher (Leader of Hartlepool Borough Council)
Councillor Sue Jeffrey (Leader of Redcar and Cleveland Borough Council)
Councillor Bob Cook (Leader of Stockton-on-Tees Borough Council)
Paul Booth (Chair of Tees Valley Local Enterprise Partnership)

Associate Membership:

Darren Hankey (Member of Tees Valley Local Enterprise Partnership)
Professor Paul Croney (Member of Tees Valley Local Enterprise Partnership)
Jerry Hopkinson (Member of Tees Valley Local Enterprise Partnership)
Angela Howey (Member of Tees Valley Local Enterprise Partnership)
Alistair Hudson (Member of Tees Valley Local Enterprise Partnership)
Mike Matthews (Member of Tees Valley Local Enterprise Partnership)
Siobhan McArdle (Member of Tees Valley Local Enterprise Partnership)
Nigel Perry (Member of Tees Valley Local Enterprise Partnership)
David Soley (Member of Tees Valley Local Enterprise Partnership)
Albert Pattison (Member of Tees Valley Local Enterprise Partnership)
Graham Robb (Member of Tees Valley Local Enterprise Partnership)

AGENDA

- 1. Apologies for absence**
- 2. Declarations of Interest**
- 3. Minutes**

The minutes of the meeting held on 23rd November, 2017 for confirmation

Tees Valley Combined Authority Cabinet Agenda

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4. Announcements from the Chair

5. Managing Director's Update

Attached

6. Investment Update and Project Approval(s)

Attached

7. Borrowing Powers

Attached

8. Priority Sector Action Plans

Attached

9. Large Local Major Schemes Funding Strategy and Next Steps

Attached

10. Housing Investment Agreement

Attached

11. Governance and Appointments

Attached

12. Date of Next Meeting

Monday, 5th February, 8.00am

FOR INFORMATION

13. Delegated Decisions

Attached

Tees Valley Combined Authority Cabinet Agenda

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Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers. Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Sarah Brackenborough, 01642 524423 or sarah.brackenborough@teesvalley-ca.gov.uk.

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Tees Valley Combined Authority Declaration of Interests Procedures

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the [Combined Authority's Constitution](#) under the "Code of Conduct for Members" (Appendix 8).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The five Councils are constituent authorities of the Combined Authority, integrated within its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before

leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

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TEES VALLEY COMBINED AUTHORITY CABINET

Cavendish House, Teesdale Business Park, Stockton-On-Tees at 10.00am on
Thursday 23rd November, 2017

ATTENDEES

Members

Mayor Ben Houchen (Chair)	Tees Valley Mayor
Mayor David Budd	Mayor of Middlesbrough
Councillor Christopher Akers-Belcher	Leader, Hartlepool Borough Council
Councillor Bob Cook	Leader, Stockton-on-Tees Borough Council
Councillor Bill Dixon	Leader, Darlington Borough Council
Councillor Sue Jeffrey	Leader, Redcar and Cleveland Borough Council
Paul Booth	Chair, Tees Valley Local Enterprise Partnership

Associate Members

Darren Hankey	Member of Tees Valley LEP
Angela Howey	Member of Tees Valley LEP
David Soley	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
Alistair Hudson	Member of Tees Valley LEP
Professor Paul Croney	Member of Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP

Apologies for Absence

Jerry Hopkinson	Member of Tees Valley LEP
Mike Matthews	Member of Tees Valley LEP
Nigel Perry	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP

Officers

Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Julie Danks	Deputy Chief Executive, Stockton-on-Tees Borough Council
Ian Williams	Director of Economic Growth, Darlington Borough Council
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority
Andrew Lewis	Managing Director, Tees Valley Combined Authority
Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Julie Gilhespie	Director of Finance, Tees Valley Combined Authority
Sarah Tennison	Innovation and Technology Manager, Tees Valley Combined Authority
Shona Duncan	Head of Education, Employment and Skills, Tees Valley Combined Authority

<p>TVCA 36/17</p>	<p>DECLARATIONS OF INTEREST</p> <p>Graham Robb declared an interest, as Senior Partner of Recognition PR, as a procured provider of publicity services to the Combined Authority.</p> <p>Councillor Dixon declared an interest in agenda item 12 as Leader of Darlington Borough Council.</p> <p>Graham Robb declared an interest in agenda item 12 as owner of a business operating within the area of the project.</p> <p>Mayor Budd declared an interest in agenda item 13 as Mayor of Middlesbrough.</p> <p>Professor Paul Croney declared an interest in agenda item 13 as Vice Chancellor of Teesside University.</p> <p>Paul Booth declared an interest agenda item 13 as a member of the Board of Governors of Teesside University.</p>
<p>TVCA 37/17</p>	<p>MINUTES</p> <p>Consideration was given to the minutes of the meeting held on 29th September 2017.</p> <p>RESOLVED that the minutes of the meeting held on 29th September be confirmed and signed as a correct record.</p>
<p>TVCA 38/17</p>	<p>ANNOUNCEMENTS FROM THE CHAIR</p> <p>The Chair welcomed the announcements in the Chancellor’s budget on 22nd November for £123 million for the South Tees Development Corporation and £59 million for the Tees Valley from the Transforming Cities Fund. He thanked the Cabinet members for the hard work that had gone in to these areas of work.</p>
<p>TVCA 39/17</p>	<p>MANAGING DIRECTOR’S UPDATE</p> <p>Consideration was given to a report from the Managing Director, providing an update on key activities of the Combined Authority since the last Cabinet meeting.</p> <p>Councillor Akers-Belcher requested that the delivery models for the Routes to Work Programme be considered by Cabinet. This was agreed.</p> <p>The Cabinet discussed the £123 million that had been announced for the South Tees Development Corporation in the Chancellor’s budget the day prior to the Cabinet meeting. Councillor Jeffrey and Mayor Budd challenged the breakdown of the funding, and its additionality. In response, the Chair stated that the announcement was a new commitment of funding and was made up of approximately £68 million for the safe management of the site itself for the next 4 years, around £50 million for remediation to bring forward sites for development, and £5 million to support the work of the Development Corporation itself.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. That the Routes to Work Programme be brought to a Cabinet meeting for consideration; and

	<p>ii. The Managing Director's update be noted.</p>
TVCA 40/17	<p>BUDGET 2018/19 AND INVESTMENT PLAN</p> <p>Consideration was given to a report detailing the Combined Authority's proposed draft Budget for 2018/19 and proposed revisions to the Investment Plan. The Combined Authority is required to set out its Budget on an annual basis, and to consult publicly before its submission to Cabinet. The Authority is also committed to review the Investment Plan, previously agreed in March 2017, in the light of new developments including the election of the Tees Valley Mayor. Together the Budget and Investment Plan provide the financial framework within which the Combined Authority will operate in the forthcoming financial year (2018-19) and over the medium-term.</p> <p>It was requested that Annex B be expanded to include projects in the pipeline.</p> <p>The draft Budget would be published to open the period of consultation for stakeholders and the public. The Budget and Investment Plan would come back to Cabinet in February 2018 for approval on the terms set out in the constitution.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. The draft Budget and refreshed Investment Plan be noted; ii. Amendments be made to reflect new funding announcements from the Chancellor's Budget, and other matters raised in the Cabinet discussion; iii. Publication of the Budget in draft for public comment, and to actively seek views from stakeholders, be agreed.
TVCA 41/17	<p>BUDGET 2017/18 – QUARTER 2</p> <p>Consideration was given to a report detailing the Combined Authority's financial position for the period ending 30th June 2017.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. The position on the Core Budget and General Reserve balance be noted. ii. The changes and updated Resource position at Appendix A be noted. iii. The allocations from the Development Fund and remaining balance identified in Appendix B be noted. iv. The position on SSI Task Force funding be noted. v. The position on the appointment of external auditors from 2018/19 be noted.
TVCA 42/17	<p>EDUCATION, EMPLOYMENT AND SKILLS STRATEGY</p> <p>Consideration was given to a report, titled "Inspiring Our Future" detailing the proposed Education, Employment & Skills Strategy for the period 2017-2021.</p>

	<p>The Cabinet welcomed the strategy and commented that it was an excellent basis to start the consultation period. The associate members for Teesside University, Professor Paul Croney, and Middlesbrough Institute of Modern Art (mima), Alistair Hudson, offered further assistance during the period of consultation. It was also suggested that the period of consultation be extended to allow more time for comment.</p> <p>The document would be published for a period of consultation, and a final document presented to Cabinet in February 2018.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. The Strategy be approved and publication for a period of consultation be agreed; ii. The period for consultation be extended until Friday 19th January.
<p>TVCA 43/17</p>	<p>ADULT EDUCATION BUDGET</p> <p>Consideration was given to a report updating Cabinet on proposals for devolution of the Adult Education Budget from Autumn 2019.</p> <p>The Cabinet expressed their disappointment in the delays with the devolution of the budget and agreed that a letter be sent to the Department for Education from the Tees Valley Combined Authority outlining their concern.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. The Government’s commitment to implement devolution from 2019, rather than 2018, and discussions to establish an appropriate transition arrangement for 2018-19 be noted; ii. The Combined Authority should secure an effective transition arrangement for 2018-19; which secures as much flexibility as possible over priorities for adult skills, strengthens genuine influence, and supports an effective lead into full devolution from 2019; iii. The establishment of arrangements to maximise the influence of the Combined Authority and its partners during 2018-19 be delegated to the Managing Director, in consultation with the Mayor and Portfolio Holder for Education, Employment and Skills; iv. A letter is sent to the Department for Education from the Tees Valley Combined Authority, expressing disappointment about the delay in devolution.
<p>TVCA 44/17</p>	<p>INTERMEDIATE BODY STATUS FOR TEES VALLEY COMBINED AUTHORITY</p> <p>Consideration was given to a report seeking agreement for Tees Valley Combined Authority to become an Intermediate Body for European Structural and Investment Funds from November 2017. A Memorandum of Understanding will be signed between the Combined Authority and the Managing Authorities to formalise the transfer of powers.</p>

	<p>It was noted that since the publication of the report, the necessary sign-off had also been received from the Department for Work and Pensions for the European Social Fund element.</p> <p>The Mayor and Councillor Jeffrey requested that they be consulted on the Memorandum of Understanding delegated to the Managing Director at recommendation (iii).</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. Tees Valley becomes an Intermediate Body from November 2017; ii. Responsibilities and working arrangements set out in paragraphs 11-13 of the report form the basis of a Memorandum of Understanding between the Combined Authority and the Managing Authorities (Department for Communities and Local Government and Department for Work and Pensions for ERDF and ESF respectively); iii. Responsibility for agreeing the Memorandum of Understanding with the Managing Authorities is delegated to the Managing Director, in consultation with the Mayor and Portfolio holder for Investment.
<p>TVCA 45/17</p>	<p>MARY NEY LEP REVIEW</p> <p>Consideration was given to a report summarising the outcome of the recently published “Review of Local Enterprise Partnership Governance and Transparency”, led by Mary Ney, Non-Executive Director, DCLG Board.</p> <p>Councillor Jeffrey requested that the declarations of interest guidance be reviewed to ensure that the guidelines on interest for public sector members, where there was a commercial interest with the Combined Authority, did not undermine their role as elected members representing their communities.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> i. The conclusions of the Mark Ney review be noted; ii. The fact that the Combined Authority meets or exceeds the standards required as a Local Enterprise Partnership be noted; iii. Implementation of procedural changes to conflicts of interest recording, and whistleblowing policy, to ensure the Tees Valley remains fully compliant with national best practice be agreed. iv. That the Managing Director review the declarations of interest guidelines, to ensure that best practice was followed, and the role of elected members is properly reflected.
<p>TVCA 46/17</p>	<p>INVESTMENT UPDATE AND PROJECT APPROVAL(S)</p> <p>This item was exempt and therefore the Chair asked any press and members of the public to leave the room.</p> <p>Consideration was given to a report updating Cabinet on progress with delivery of the Investment Plan and to seek approval in respect of £1.7 million additional</p>

	<p>Combined Authority funding for the Salters Lane (Ingenium Park) Phase 1 project in Darlington.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. Progress to date with the delivery of the Investment Plan, including levels of funding currently committed and in the pipeline be noted; ii. Subject to the satisfactory completion of due diligence under the Assurance Framework, the allocation of additional funding for the Salter's Lane (Ingenium Park) Phase 1 project in Darlington be approved.
<p>TVCA 47/17</p>	<p>DISTRICT HEATING</p> <p>This item was exempt and therefore the Chair asked any press and members of the public to leave the room.</p> <p>Consideration was given to a report providing an update on the proposal for a significant District Heating system, initially focused on Middlesbrough town centre, and connecting the James Cook Hospital and Teesside University. The Combined Authority has now completed an Outline Business Case for the project.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> i. progress in developing the Middlesbrough District Heating project be noted; ii. that the Combined Authority should negotiate and enter into Memoranda of Understanding with the key energy off-takers (the Hospital Trust and University) to confirm intention to off-take (subject to commitment on price) be agreed; iii. that the Combined Authority should negotiate and enter into an "in principle" supply agreement with the owner of the anaerobic digestion plant to agree terms for the supply of heat and electricity to inform the Project going forward be agreed; iv. that, in principle, if a business case can be proved, and investment can be funded by the Combined Authority's borrowing powers without impact on other investment priorities, the Combined Authority would be prepared to be an investor in the Project be agreed; v. the level of investor interest, alongside the Combined Authority, while retaining a significant degree of public sector control be gauged; vi. an allocation from the Combined Authority's Development Fund to support the next (pre-procurement) phase of the project, and to seek contributions from other partners and from central government, up to a total value of £500k be delegated to the Managing Director.
<p>TVCA 48/17</p>	<p>DATE OF NEXT MEETING</p> <p>The next meeting would be on Thursday 21st December 2017.</p>

AGENDA ITEM 5

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

21 DECEMBER 2017

REPORT OF THE MANAGING DIRECTOR

MANAGING DIRECTOR'S UPDATE

SUMMARY

This report provides a general update on the key activities of the Combined Authority since the last Cabinet meeting, but which are not covered in other reports to this meeting.

RECOMMENDATIONS

For information and discussion.

DETAIL

UK Industrial Strategy Launched 22nd November

1. The Government has now launched its Industrial Strategy White Paper, Building a Britain fit for the Future. Tees Valley was given high profile in the document, with a case study included for the South Tees Development Corporation as an example of national best practice. The strategy also includes a commitment to work with Tees Valley to develop a further devolution deal.
2. The Government announced that Local Enterprise Partnerships, and Combined Authorities where they exist, will be asked to bring forward local Industrial Strategies, with the first to be developed by March 2019. Given the progress made in the Tees Valley through the Strategic Economic Plan, we will look to bring forward a Local Industrial Strategy as part of an early phase of that national programme.

Darlington 2025

3. On 8th December, the Mayor hosted a visit from the Secretary of State for Transport. As part of the visit, we presented our proposals for a significant upgrade of Darlington station, to unlock improved services on HS2, Northern Powerhouse Rail, local services and freight. The Secretary of State expressed his support in principle for this initiative, and acknowledged the necessity for investment in the station. Further discussions will continue with Network Rail and other partners, and with further meetings between the

Mayor and Secretary of State, with a view to moving the project to the next stage of development.

Railway Heritage Development

4. Heritage Action Zone (HAZ) status has been awarded to the Stockton and Darlington Railway site by Historic England (one of eight awards in England). The Railway Heritage Steering Group (made up of a number of key partners) is bringing forward an ambitious programme to conserve and develop the Stockton and Darlington Railway. This announcement will support research and conservation of the heritage assets as part of the larger development project and is a great platform from which to develop the rest of the project.
5. DCMS has also announced the list of eleven projects put forward to secure four possible capital legacy funding awards from the Northern Cultural Regeneration Fund. Tees Valley has submitted an application for almost £4million to secure the first stage of the railway heritage project.

Annual Conversation

6. Each year, all Local Enterprise Partnerships are required to take part in a formal conversation with Government officials to review the years' performance, specifically relating to the Local Growth Fund, and to assure our adherence to the agreed Assurance process.
7. The Tees Valley Annual Conversation took place on 4th December, led by Paul Booth as LEP Chair. Government officials are particularly focused on good governance of decision-making, where Tees Valley is recognised as demonstrating good practice, and delivery of the investment pipeline. The discussion was positive, with acknowledgement of the additional capacity and capabilities we now have in place to accelerate programme delivery. The Combined Authority is forecast to spend 100% more Local Growth Fund in 2017/18 than 2016/17; leaving a balance of £36million. We have a strong pipeline and if all projects were to be approved in 2018/19 this would result in an over-programming of the Fund in 2018/19.

FINANCIAL IMPLICATIONS

8. There are no financial implications to this report.

LEGAL IMPLICATIONS

9. There are no legal implications to this report.

RISK ASSESSMENT

10. This report is an update and therefore is categorised as low risk.



TEES VALLEY
COMBINED
AUTHORITY

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AGENDA ITEM 6

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

21 DECEMBER 2017

REPORT OF THE INVESTMENT DIRECTOR

PORTFOLIO: INVESTMENT

INVESTMENT UPDATE AND PROJECT APPROVAL(S)

SUMMARY

The purpose of this Report is:-

- to update Cabinet on progress with delivery of the Investment Plan;
- to inform Cabinet of Middlesbrough Borough Council's proposal to bring forward the development of new advanced manufacturing accommodation at Tees Advanced Manufacturing Park (TAMP) in Middlesbrough, designated as an Enterprise Zone; and
- to seek approval for an additional £6.15 million of Combined Authority investment in the £21.84 million TAMP project (on top of £1.5 million of grant funding previously approved), to fund site acquisition, ground remediation and infrastructure works to enable the TAMP site to be brought forward for such development.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:-

- i. notes progress to date with the delivery of the Investment Plan, including levels of funding currently committed and in the pipeline;
- ii. notes MBC's proposal to bring forward the speculative development of approximately 180,000 sq.ft. of new advanced manufacturing accommodation at TAMP;
- iii. subject to the formal approval by MBC's Executive of MBC's funding for the project (scheduled for its meeting on 19th December 2017) and to the satisfactory completion of due diligence under our Assurance Framework, approves the allocation of up to £6.15 million of additional Combined Authority investment funding in respect of site acquisition, ground remediation and infrastructure works at the TAMP site. £1.5

million of grant funding has previously been approved in the Investment Programme, as announced in the original Growth Deal with Government;

- iv. approves the use of the Combined Authority's prudential borrowing powers, once they are in place, to fund the TAMP project with the repayments to be financed from the additional Enterprise Zone business rate income to be received as a result of the investment; and
- v. delegates the finalisation of the funding and associated contractual arrangements for the TAMP project to the Managing Director and the Finance Director.

PROGRESS WITH DELIVERY OF THE INVESTMENT PLAN

1. The Combined Authority continues to make good progress in delivering the Investment Plan that was agreed in April of this year, now covering the delivery of over £477 million of investment up to 2021.
2. By way of update a number of commitments have been made since the launch of the Investment Plan in April including:-
 - Great Places Programme;
 - Culture Programme;
 - New Apprentice Grant;
 - Routes to Work Pilot Project;
 - Salters Lane Ingenium Park Infrastructure;
 - Port Clarence Logistics Site Improvements; and
 - Kirkleatham Catering Academy & Walled Garden and Teesside University National Horizons Centre completed due diligence and moved to delivery.

3. Investment Plan Summary Table

	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
OPENING BALANCE	78,643,488	81,806,269	58,277,173	42,007,069	44,521,330	305,255,329
COMMITMENTS	31,501,275	65,481,296	57,640,075	31,513,628	20,339,000	206,475,274
PIPELINE	0	2,440,862	54,312,680	73,567,202	68,812,656	199,133,400
BALANCE AT YEAR END	47,142,213	13,884,111	-53,675,582	-63,073,761	-44,630,326	-100,353,345
CUMULATIVE BALANCE	47,142,213	61,026,324	7,350,742	-55,723,018	-100,353,345	

Assumptions:-

- That all requested funding is approved;
- That costs are correct, these will be tested through the Business Case;
- No borrowing included;
- No alternative funding sources are secured such as National funding for example NPIF transport schemes or HCA infrastructure funds etc.;
- Includes known pipeline only;
- Does not represent the direct match or leverage from investments. This will be tested through the business case; and

- *Does not include any further allocations to regional projects or further commissioning of activity by the Cabinet.*
4. The total requests for TVCA investment currently stand at £199 million, £100 million over the level of currently available funds, excluding borrowing.
 5. TVCA are working hard on accelerating delivery and are currently forecasting to spend over 100% more than in 2016/17. This has been the result of:-
 - Increased development funding;
 - Flexibility and security of multi-year funding;
 - Increased in-house legal and commercial expertise; and
 - Direct and supportive programme management arrangements.
 6. This was discussed in our recent 'Annual Conversation' with Government on the Local Growth Fund, and provided Government with the assurance the programme was picking up speed.
 7. We continue to review and streamline our processes and address capacity constraints where possible to accelerate delivery, project development and decision making to bring the pipeline forward.
 8. Annexe A sets out a summary of progress, business cases received and those in development.
 9. The current pipeline for European funding is £34.5 million with a minimum requirement for c£14 million match from these proposals. £101 million of European Funds is also potentially available to the Tees Valley. DCLG notified us that the next call window will open on 8th December to account for the Autumn statement. The calls will still close on 26th January 2018. Two calls will be launched:-
 - SME Competitiveness – revenue activity only £10m indicative allocation
 - Low Carbon – capital & revenue activity £5m indicative allocation

We expressed concern at the shortened period of time for applications but this is a national position. To allow as much time as possible for partners to develop applications an Information Event was held on Friday 24th November. There are a number of potential projects in the pipeline and one to one sessions have been made available for anyone wanting to discuss their project idea in more detail.

TAMP

Site History

10. TAMP is one of eight sites forming the Tees Valley Enterprise Zone and is an important development site for the Tees valley as a whole. The site extends to 11 hectares (32.12 acres) and is located at South West Ironmasters, less than a mile from Middlesbrough town centre and between the A66 Trunk Road and Riverside Park. An indicative map of the site is at Annexe 2.
11. Having been designated as an Enterprise Zone in 2012, development to date has been limited with only around 1 hectare (2.47 acres) having been developed to accommodate the current TWI facility, which is located on the north-eastern border of the site. Various schemes have been discussed by MBC with developers in recent years but have not come to fruition, largely due to the inability to demonstrate the

viability of prospective development due to the large costs of developing such schemes on a speculative build basis and the need for significant remediation work on a former industrial site.

Project Description

12. The TAMP project aims to address the market demand in Tees Valley for business/manufacturing premises in the light manufacturing sector, which is not being met by private sector development. Local manufacturing businesses are currently restricted in terms of their growth options and ability to derive efficiency gains from modern accommodation.
13. This Project offers the Combined Authority and Middlesbrough Council, working in partnership, the opportunity to:-
 - (a) bring forward a key site that will enable potential inward investment and skilled employment opportunities for the Tees Valley;
 - (b) address market failure in the manufacturing accommodation/speculative investment market in the Tees Valley;
 - (c) directly contribute to the delivery of the Combined Authority's Strategic Economic Plan in terms of the supply of sites and premises for business growth, and by addressing brownfield land; and
 - (d) each recover their investment over time, through the receipt of business rates and rent arising from the development and occupation of the site.
14. The Project overall aims to deliver:-
 - (a) the remediation of 11 hectares of brownfield land and delivery of associated site infrastructure – by end 2018;
 - (b) Phase 1 development – approximately 180,000 sq.ft. of advanced manufacturing space (to be funded by Middlesbrough Council at its risk) on a speculative basis by 2020. Future phases can create approximately 100,000 additional floorspace, subject to demand;
 - (c) the hosting of up to 500 -1,000 direct skilled jobs in advanced manufacturing – assuming employment density of 1 job per 33 - 17 sqm, upon full occupation, by 2022;
 - (d) potentially an additional 100 - 200 indirect and supply chain jobs by 2025;
 - (e) an anaerobic digestion plant/gas turbine plant, both privately funded (these additional business rates are not included in current financial modelling); and
 - (f) the hosting of around 10 manufacturing/advanced manufacturing companies by 2022.
15. The Combined Authority has been requested to provide up to £7.65 million of grant funding to pay for site acquisition, remediation and infrastructure work on the TAMP site, to enable the development of high-quality, commercial accommodation which will be funded by MBC). £1.5 million of this sum was already approved in the

Investment Programme as announced in the original Growth Deal with Government, so this approval covers the additional £6.15 million.

16. The contractual arrangements will be structured so that:-
 - (a) The Combined Authority will enter into a funding agreement with MBC for the payment of the overall £7.65 million investment;
 - (b) MBC will enter into an agreement with the developer for design work and remediation and infrastructure work;
 - (c) MBC will enter into a separate construction agreement with the developer for the construction of the business accommodation on the site;
 - (d) After completion of the site and construction works, the ownership of the site will transfer from the developer to MBC;
 - (e) MBC will then enter into leases with occupiers;
 - (f) MBC will also set up arrangements for the marketing and management of the site.
17. As the TAMP site is within an Enterprise Zone, business rate income paid on the site is received by the Combined Authority, up to 2037. This allows the funding provided by the Combined Authority to be repaid from the collection of business rates from tenancies created as a result of the project (see below for further details). This is a good example of the benefits of Enterprise Zone status, allowing up-front investment to unlock business growth, and ensuring the rates paid by those businesses to recoup the initial investment over time. This would be the first example of the Combined Authority using new borrowing powers in this way, and is a model that is also being explored on other Enterprise Zone sites where a strong business case for investment can be developed.
18. The Combined Authority's investment funding will pay for site acquisition, site remediation and infrastructure. MBC is entering into a development agreement for the construction of the speculative business accommodation, at its sole cost (£12.5 million), and will take the risk on the letting and occupancy of that space.
19. Although the scope of Phase 1 of the construction development by MBC only covers a proportion of the site, the Combined Authority's funding will secure the remediation of the entire site. The potential second phase of site development can create further business accommodation and therefore additional business rates income for the future, which is not currently factored into the Combined Authority's business model for the investment.

Ambition and Potential Benefits

20. The aim is to create long term, high quality employment opportunities and boost economic growth through the provision of new manufacturing accommodation in a modern setting, building on Tees Valley's excellent connectivity and skills base to make a significant contribution to growth and exports. The high quality construction and site specification for TAMP aims to provide the conditions which support the retention and growth of existing businesses and the attraction of inward investment, with their associated supply chains.

21. The project objectives align with the Strategic Economic Plan, MBC's Investment Prospectus and the common goal of supporting the attraction of inward investment in strategic growth sectors such as advanced manufacturing and other sectors such as logistics.
22. Potential benefits arising from this development will also include:-
 - (a) the retention of businesses which might otherwise leave Tees Valley to seek better growth opportunities elsewhere;
 - (b) improved access to skilled employment opportunities - employment in advanced manufacturing is also more likely to require the skills transferable from legacy sectors such as steel making;
 - (c) increased economic outputs and improved efficiency in the local economy;
 - (d) encouraging investment in sectors with high growth potential which helps to diversify the local economic mix and increase economic resilience; and
 - (e) a catalytic effect on the speculative development market, proving the concept here and increasing the potential for further market investment in the area.

Evidence of Need and Demand

23. Through this development the public sector can enable the delivery of a major accommodation cluster for the growth of advanced manufacturing. This is the second fastest growing sector in the UK economy and offers significant benefits in terms of skilled employment, including the potential to build on the presence of TWI as the current anchor tenant on the site.
24. Advice MBC have received from sector specialists Cushman & Wakefield highlights that there is demand for new industrial/manufacturing accommodation of the scale proposed by this development. In the absence of public sector pump-priming, the development of such advanced manufacturing space to this scale is very unlikely at present, whereas the demand profile for such facilities is seen as robust.
25. This specialist advice suggests that the units, and the price point to which they are pitched, will secure reasonably long and stable tenancies, reaching a high level of occupancy within a reasonable timescale. A consequential risk highlighted is that the space might fill at the expense of some of the local accommodation stock currently available. However, it is also suggested that the downstream demand for commercial and light industrial units is such that the displaced units should also secure secondary occupation in a reasonable timescale, therefore reducing the long-term risk of market distortion.
26. The proposed scheme will be marketed nationwide, to attract advanced manufacturing businesses by providing a premium environment and quality accommodation. The quality of the scheme, coupled with its location at the centre of the Tees Valley road network, is therefore key to attracting inward investment.
27. Initial enquiries from potential occupiers are already being received by MBC and the developer. These are in advance of the site being marketed which could lead to pre-lets, therefore de-risking the development from the public sector perspective, with rental and business rate income potentially being secured before construction begins.

Funding

28. MBC is proposing to use its prudential borrowing powers to fund the cost of construction of the business premises. Once the units are built, MBC will carry the liability to pay business rates to TVCA even if the buildings are empty.
29. MBC are therefore bearing a significant proportion of the risk profile for this project but, fundamentally, the proposal cannot proceed without the financial support of the Combined Authority. Given the ability of the Combined Authority to recover its grant funding through the Enterprise Zone business rates collected, there is no feasible alternative funding source available for the balance of this project without the Combined Authority's input and the input of the long term projected business rates for the site.
30. Through retaining the business rates uplift on the TAMP site until March 2037, the Combined Authority stands to make a return on its investment which can then be recycled into other Tees Valley initiatives. MBC commissioned Cushman & Wakefield to produce a delivery options report included in which was an assessment of the potential business rate income for the site. The report provided an estimated income level of £9.4 million until the end of the Enterprise Zone agreement in March 2037.
31. The Combined Authority has scrutinised the business rate calculations provided and has carried out sensitivity analysis tests on the assumptions made by Cushman & Wakefield in the report. The impact of applying all the sensitivities to the revised base position, is to reduce the estimated rate income figure for the period by £1.48 million to £8.37 million. This lower value would only arise as a result of all of the sensitivity scenarios being applied, and is therefore seen as a downside return that can be expected through business rates over the Enterprise Zone period.
32. Government has committed to granting borrowing powers to Combined Authorities from 2018. As this project would generate a direct return to the Combined Authority through Enterprise Zone business rate receipt and retention, we are proposing that we use these borrowing powers to fund the £6.15 million additional funding required (and potentially also the £1.5 million grant funding already approved).
33. By way of illustration, at the current PWLB rates this borrowing would result in a total value of interest repayable of £1.46 million if £6.15 million funds were borrowed straight away, with repayments until the end of the Enterprise Zone period in 2037. This would produce a total amount repayable of £7.61 million which provides £760,000 (9%) headroom against the sensitised business rates income of £8.37 million, and £2.24 million (23%) headroom against the revised base figure of £9.85 million.
34. Initially we would look at utilising our current investment plan cash reserves to fund the project and only borrow when this would be required, and where doing so would release resources needed to fund other priorities. If we assume that the borrowing is not required until 2021, this would result in reduced interest repayable of £1.29 million (based on borrowing £6.15 million). This would increase the headroom to £930,000 (11%) against the sensitised income estimates and £2.41 million (24%) against the revised base estimate.

35. The business rates included within the calculations are based solely on Phase 1 of the project and on the premises to be constructed by MBC. This is seen as prudent, as construction of any additional Phase 2 premises is not certain at this point. Within the Cushman & Wakefield report it indicates the potential rates for the planned Anaerobic Digester Plant at approx. £24,000 annually based on the current rates multiplier. It also gives an indication of potential rates for Phase 2 of the site, and at current rates this could produce an additional annual return of £190,000. However there is no indication of when this phase of the construction would proceed.

FINANCIAL IMPLICATIONS

36. There are no financial issues arising from the Investment Plan update generally; any financial issues in respect of any of the projects arising from the Plan will be dealt with when considering the project specific funding arrangements in each case.
37. The TAMP proposal is to commit an additional £6.15 million to the TAMP project in the Combined Authority's Investment Plan, to be funded via Prudential Borrowing.
38. Investment Plan cash reserves will be utilised initially to fund the project, with borrowing powers to be utilised when the Investment Plan reserve needs to be replenished.

LEGAL IMPLICATIONS

39. There are no legal issues arising from the Investment Plan update generally; any legal issues in respect of any of the projects arising from the Plan will be dealt with when considering the project specific funding arrangements in each case.
40. On TAMP, it is proposed that the Combined Authority carries out due diligence on the financial and legal aspects of the project proposal internally, although it will be also able to rely on the advice of Womble Bond Dickinson to MBC on procurement and state aid matters. In terms of technical due diligence, the Combined Authority will rely on advice from MBC's external technical consultants, who have agreed that their advice will be made available to the Combined Authority who will be able to rely on it.
41. Initial legal advice from Womble Bond Dickinson is that the overall transaction is permissible under the Public Contracts Regulations 2015 (PCR15) on the basis that there is only one possible provider of the works and services required for the development, due to the Developer's ownership of the TAMP site. Womble Bond Dickinson advise that this position has been successfully relied on elsewhere.
42. Confirmation of a satisfactory state aid position is currently awaited from Womble Bond Dickinson.
43. The Combined Authority will use its standard funding agreement for capital projects to govern the terms of its investment. The funding agreement will be tailored so as to minimise the risks identified in the risk section below as far as possible.

RISK ASSESSMENT

44. The delivery of the Investment Plan more generally is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

45. The key risks in relation to the Combined Authority's investment in the TAMP project are as follows:-
- (a) The Combined Authority's borrowing powers are not confirmed by Parliament – the timing of this confirmation is not critical to this project, as long as the powers are confirmed before the Combined Authority needs to borrow these funds, which may be more than a year away. However, if the Government decides not to confirm the powers at all, the risk is that the funding has been committed and defrayed, but it will take significantly longer to recover through Enterprise Zone business rate income. This is considered to be highly unlikely.
 - (b) The development stalling following the Combined Authority's investment but before the construction of the Phase 1 accommodation is complete. This will be managed through the Combined Authority's funding agreement with MBC, and through MBC incentivising the completion of the remediation and construction works through its contractual arrangements with the developer, including step-in rights;
 - (c) Where the development is completed, but the assessment of occupier demand proves inaccurate, the risk that rates actually paid are less than forecast. It should be noted that, once the buildings have been constructed, it would be the responsibility of MBC to pay the business rates to TVCA, even if the buildings are not occupied;
 - (d) The risk that in the future buildings are let to occupiers who do not pay full business rates (such as charities); this will be managed through a formal lettings policy agreed between MBC and TVCA, where TVCA would be required to consent in advance to any such occupation; and
 - (e) MBC sell the site at a future date – this will be addressed in the funding agreement with MBC.
46. Conversely, the risk of not delivering the development is a lack of quality accommodation to attract new inward investment or accommodate growing domestic companies. The risk is that, in the absence of this development, growth and inward investment opportunities may be lost to the Tees Valley, as businesses look farther afield to meet their accommodation requirements.

CONSULTATION

47. MBC will be undertaking consultation on the development of the site through its normal consultation and planning processes.

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ANNEXE A – Investment Plan Progress Summary

	Current Commitments*				Approved Programmes	Pipeline		
	Complete	In Delivery	Funding Agreement	Due Diligence	Business Case Development	Assessment	Business Case Development	Pipeline
Amount	£7,441,119	£127,606,685	£26,185,000	£33,924,469	£11,318,000	£26,927,000	£139,612,558	£32,593,842
No. Projects	6	52	10	16	3	7	26	11
Total Amount	£195,157,274				£11,318,000	£199,133,400		
Total No. Projects	84				3	44		
	<i>* Includes Development Funding, Projects, Programmes and Specific Ringfenced Grants</i>							

Since the Investment Plan was published in April 2017, Business Cases been received to date for the following projects:-

1. Salters Lane/Ingenium Park (see earlier in this Report). £2.2 million in the current Growth Deal programme as grant, request for an additional £1.7million Combined investment. Infrastructure and improvements on the road network. **FUNDING APPROVED**
2. Port Clarence Logistics Limited – £300,000 Combined Authority capital grant/£300,000 private sector match. Site infrastructure improvements through an access road and river dredging. **FUNDING APPROVED**
3. Teesside Advanced Manufacturing Park* – £7.65 million Combined Authority investment, total investment £22.5 million, joint investment with Middlesbrough Council and developer. Remediation and development of proposed Advanced Manufacturing Park in Middlesbrough. Aim: December/January Cabinet decision. **FOR CONSIDERATION AT CABINET IN DECEMBER**
4. Centre of Excellence in Technical Training (Hartlepool, former Northern Lights Academy) £874,900 Combined Authority capital and revenue grant matched with £214,369 HBC match. Refurbishment and initial revenue support for a currently mothballed facility – funding approved. **DELEGATED DECISION TO BE SOUGHT IN DECEMBER**
5. Elwick Bypass - £17 million Combined Authority loan. The NPIF bid announcements have now been made and Elwick Bypass did not receive funds in this round. This business case cannot go to Cabinet for an investment decision until the outcome of the outstanding HCA Infrastructure Fund bid, as this will determine the level of TVCA investment required - currently awaiting the outcome of bid which (if successful) will reduce the Combined Authority's investment requirement significantly. Strategic road improvements to unlock further sites for development. Aim: December Cabinet decision (dependent on timing of HCA announcement). **UNDER REVIEW**
6. Teesside University Healthcare Innovation Research Centre - £945,000 Combined Authority Grant with £855,000 private sector match. Upgrade of both facilities and equipment needed to house a joint TU-TWI medical research activity based on TAMP. The funds will enable TU staff to co-locate with TWI on the site, and will be used to develop the facilities so that equipment from both TU and TWI to be clustered in one location, thereby developing a critical mass of medical device and prototyping equipment and provide a base from which new research activity will take place, supporting TU to win and deliver medical focused research in collaboration with industry and other stakeholders. **UNDER REVIEW**

Business Cases currently being developed:-

- Billingham Bio-Pharmaceutical Campus – June 2018
- Boho Next Generation – March 2018*
- Central Park Infrastructure – TBC
- Darlington Station – TBC
- DTVA Northside Phase 1 - November 2017
- Eaglescliffe Station Western Access – November 2018*
- Energy Life Cycle Centre – December 2017
- Faverdale Phase 1 – TBC*
- Feethams Grade A Office Accommodation – December 2017*
- Hartlepool Innovation & Skills Quarter Phase 2 – June 2018*
- Hartlepool Waterfront – November 2018*
- Hemlington Grange Business Park – Expected January 2018
- Kirkleatham Estate Investment Programme – December 2017*
- Middlesbrough Rail Station & Historic Quarter – March 2019**
- Redcar Railway Station Business Quarter – TBC*
- River Tees Development Plan – TBC*
- Skippers Lane Industrial Estate – March 2018*
- South Middlesbrough Transport Infrastructure – TBC
- Teesside University – Space for Innovation and Enterprise – December 2017
- Teesside Media Innovation Village – January 2019**

*Development funding committed

**Development funding being considered

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AGENDA ITEM 7

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

21 DECEMBER 2017

REPORT OF THE FINANCE DIRECTOR

PORTFOLIO: INVESTMENT

BORROWING POWERS

SUMMARY

This paper sets out the recommendation that Cabinet approves the borrowing powers proposed by HM Treasury.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet delegate authority to the Managing Director to consent to the necessary secondary legislation to establish the Combined Authority's borrowing powers.

DETAIL

1. The primary legislation which established Combined Authorities made provision for them to receive borrowing powers, akin to those already in place for other local authorities. In Budget 2016, the Chancellor of the Exchequer confirmed his intention to enact this provision using secondary legislation. The draft legislation is now available, and Combined Authorities – including the Tees Valley Combined Authority – are asked to formally approve it, before it is considered by parliament. Due to the stage of the draft regulations in the Parliamentary process, the Cabinet is asked to delegate authority to the Managing Director to consent to the regulations, once requested to by government.
2. Borrowing powers provide a substantial additional financial flexibility for the Combined Authority, allowing us to borrow against future income to finance upfront investment. The principles against which borrowing will be determined were set out in our Investment Plan, approved by Cabinet in March 2016. It is important to note that, as with other local authorities, borrowing can only take place when strict conditions are met, as determined by the Director of Finance in her statutory role.

There must be a designated income source to repay the finance costs of borrowing before it can be approved.

3. We have now received confirmation from HMT that the order granting the Combined Authority its borrowing powers will be placed before Parliament in January 2018. Before this can be done, agreement to the powers needs to be granted by the Combined Authority Cabinet as well as those of the constituent authorities. That process is underway within the authorities.
4. The Chancellor has proposed that borrowing by Combined Authorities will be subject to a cap on debt. To avoid limiting the Cabinet's ability to approve borrowing where the requirements of the prudential code are met, we have argued that the cap should be set sufficiently high that it would not in practice restrict the flexibility of the Combined Authority to borrow for investment.
5. It is important to note that the levels are strict maximums set by the Treasury, and do not imply that the Combined Authority will be borrowing to this level. Debt limits will instead be set by Cabinet, on the basis of approved business cases for individual projects, and with the overall debt position reported to Cabinet quarterly.

FINANCIAL IMPLICATIONS

6. Once enacted, the legislation will remove a restriction on the Combined Authority which currently prevents it from borrowing to invest. The financial implications of enacting this power will be determined on a case-by-case basis according to the business case set out for individual projects.

LEGAL IMPLICATIONS

7. Approval to this recommendation, and from individual constituent authorities, will allow HM Treasury to seek parliamentary approval for the secondary legislation.

RISK ASSESSMENT

8. The acceptance of borrowing powers is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

9. Approval is being sought from constituent authority Executives (or equivalent) according to their specific procedures. No further consultation is required.

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AGENDA ITEM 8

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

21 DECEMBER 2017

REPORT OF THE STRATEGY DIRECTOR

PRIORITY SECTOR ACTION PLANS

BACKGROUND

The following report reflects the views of over 600 businesses from across Tees Valley who were contacted by independent economic consultants, Regeneris in 2017, to inform the development of 7 Sector Action Plans and 1 Cross-Cutting theme Plan.

Key points to note include

- Need for review of sector definitions for: biologics, process chemicals and energy and digital technologies;
- Need for inclusion of construction as an additional priority sector;
- Sector action plans provided a useful framework for analysis and that they should be considered a live document for routine update;
- The Rebalanced Economy Scenario provides a method of prioritisation between sectors and emerging opportunities; and
- 23 emerging opportunities were identified from which we have produced a short-list of 8 projects which require immediate action and are included in the draft Investment Plan for due consideration (amounting to £1.97m of direct support).

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the findings from the Sector Action Plan Work and that Sector Champions, with support from Officers, be charged with their annual update;
- ii. Approve the redefinition of the following sectors: Process, Chemicals and Energy, Digital and Creative, Culture and Leisure and Health and Biologics;
- iii. Agree an initial package of activities of £1.97 million, as set out in paragraph 18 (subject to satisfactory completion of relevant due diligence and approval of the overall budget in February); and
- iv. Sanction further labour market analysis to assess the particular constraints facing the construction, leisure and health and social care sectors and further assess the fitness of purpose (to these sectors) of the proposed workforce development programme.

DETAIL

Background and Purpose

1. The refreshed Strategic Economic Plan: The Industrial Strategy for the Tees Valley (SEP) established an ambition for Tees Valley to create 25,000 net additional jobs and £2.8 billion of additional Gross Value Add (Output) by 2026.
2. To enable delivery against these targets, the refreshed SEP called for:

“detailed sector action plans¹ to be prepared to identify specific activities that are needed to remove barriers and realise opportunities for the growth and sustainability of the 25,000 jobs target.”
3. The terms of reference highlighted the following key outputs:
 - Enhanced sectoral granularity in relation to the 25,000 jobs target and eight sectoral action plans covering the following information:
 - Structural composition;
 - Assessment of competitiveness;
 - Emerging opportunities and threats; and
 - A detailed logic model which summarises all projects by inputs, activities, outputs and outcomes.

Principal Findings

4. The following section highlights the principal findings of the research including an assessment of:

Detailed feedback from Business

5. Stakeholder (including Sector Champions² and business engagement identified the following high level priorities across all sectors (on a thematic basis):
 - **Education, Employment and Skills** were noted as the most significant constraint facing businesses. In particular, there was a **need to correctly diagnose emerging skills and employment gaps** and putting in place mitigating in-company support aimed at existing employees;
 - **Promotion of place** (and culture) was recognised as playing a key role in the attraction and retention of talent. There continues to be a perceived shortfall in the provision of appropriate (high specification) accommodation and R&D facilities and an **associated lack of development funding**. Connectivity and in particular **future proofed**

¹ Priority Sectors include: Advanced Manufacturing, Culture and Leisure, Digital and Creative, Health and Biologics, Logistics, Process, Chemicals and Energy, Professional and Business Services; and Circular Economy.

² Sector Champions have been identified for the following sectors: Alby Pattison : Health & Biologics; Mike Matthews : Advanced Manufacturing ; Graham Hillier: Process, Chemicals & Energy; Charlie Nettle: Logistics; Jon Collett : Business & Professional Services. Sector champions to be confirmed for Culture and Leisure and Digital and Creative.

broadband (full fibre network) was seen as being vital for continuing competitiveness (through digitisation); and

- **Innovation** per se, was not seen as a key driver of growth, however a number of common issues related to it were seen as key priorities:
 - **Post Brexit and SSI there is a need to diversify markets/supply chains and enhance productivity** through the development of new products and processes;
 - A lack of critical mass locally and therefore a **need for enhanced collaboration** in the development of new products and processes supported through a **wider range of flexible funding sources**;
 - **A need to build on existing local competencies by attracting additional inward investment** (building on existing profit centres); and
 - Unlike other regions, **Tees Valley has too few fast growth companies, which are both jobs rich and have higher productivity.**

Sector Specific Findings

6. The following key issues were identified for each of the seven sectors:

- **Advanced Manufacturing:** The sector has been an early adopter of 'servitisation', with the most significant productivity gains being made within the export of engineering services. This aspect of the sector will be greatly enhanced through improved air and broadband connectivity. In the wider sector, there is a need for support in two areas: New product development, specifically materials and supply chain diversification;
- **Biologics sector:** Although small, the sector is characterised by a range of companies offering complementary (not competing) products. The sector would significantly benefit from closer collaboration, particularly in relation to common procurement and regulatory due diligence;
- **Culture and Leisure:** In terms of number of companies and total employment, the sector is amongst the largest in Tees Valley and although there are a high number of visitors to the region, GVA per job remains low mainly due to low visitor spend. However, the sector has not yet fully availed of key aspects of innovation and wider business support (in particular digitisation);
- **Digital and Creative:** There is significant growth potential within the digital sector, principally in relation to being an enabler for the other priority sectors across the Tees Valley. A key priority must be for supply chain support. The sector also specified physical co-location, with preferred accommodation being high specification serviced offices in city centre locations;
- **Logistics:** Growth within the sector continues to be dominated by investment in 'key assets', such as the port, roads, rail and airport. However, there continues to be little 'added value around key assets', with Humberside providing a useful benchmark for good partnership working and the attraction of higher levels of foreign direct investment;

- **Process, chemicals and energy:** Considered by respondents across all sectors to be the lynchpin of the Tees Valley economy, national visibility of the sector continues to be a priority. The sector continues to be mainly 'cost focused' and not research intensive due to its branch plant status. Principal opportunities relate to 'reshoring' and enhancing ties with the wider UK innovation ecosystem;
- **Professional and Business Services:** Tier 1 and Tier 2 Legal and Accountancy firms have largely withdrawn from the region due to limitations on the breadth of opportunity. Much of the remaining business base face constraints related to progression planning; and
- **Circular Economy:** There is presently a lack of understanding of the application of this concept by businesses across all sectors. There is a need for public sector leadership to demonstrate the validity of the approach.

Robustness of approach

7. Although the methodology employed was comprehensive the following points were noted:

- **Concerns over sector designations: In particular:**
 - **Process, chemicals and Energy:** Given the significance of the sector to the region it was agreed that the existing definition was too constrained. A more accurate reflection of the sector would stress the relationship to the following sub-sectors: Engineering services, Advanced Manufacturing, Professional and Business Services and Logistics;
 - **Digital and Creative:** There should be a tighter focus on digital companies, with creative industries augmenting the Culture and Leisure sector;
 - **Culture and Leisure:** Sectoral feedback identified that there were a variety of aims for this sector including: Social Inclusion, Attraction and Retention of Talent and Economic Growth. The first two were considered more thematic, with economic growth focused on tourism opportunities which should be the focus of any sectoral definition;
 - **Health and Biologics:** There should be a tighter focus on biologics and life sciences, with health (social) care possibly being a separate sub sector of its own (although it shares common characteristics with other sectors such as retail and leisure); and
 - **Construction:** There is a need for consideration of the labour market implications of this vital 'jobs rich' enabling sector.

8. **It is recommended that the aforementioned revisions to sectoral definitions be applied as part of the next routine update of the Sector Action Plans.**

- **Significant variation in the degree of economic intelligence and insight between the seven reports.** In general the sector action plans

for the more established sectors (such as Process, Chemicals and Energy, Advanced Manufacturing and Logistics) were viewed as being more comprehensive, however there continues to be significant gaps in understanding in a number of emerging sectors, in particular:

- Digital and Creative;
- Culture and Leisure; and
- Health and Biologics.

However, feedback from partners and business champions was that the sector action plans provided a useful framework for analysis and that they should be considered a live document for routine update.

9. **It is recommended that the Sector Champions, in conjunction with the Economic Strategy Manager and Council Intelligence Leads update annually the sector action plans.**

Testing the Validity of the 25,000 jobs figure

10. The refreshed SEP has a target to deliver 25,000 new jobs over the next decade (2016-26). This section identifies those jobs that are directly attributable to support delivered under the Combined Authority's existing Investment Plan.
11. The following table identifies potential investment by activity type in the first iteration of the Investment Plan for the period 2016-21 and through use of cost per job and GVA per job metrics, provides an overall assessment of job and GVA impact:

	Investment*	Jobs Impact	GVA impact
	£m .	Jobs	£m
Business growth¹	115	4,600	202
R, D & I¹	59	2,360	104
Education and Skills²	112	3,000	132
Culture³	11	367	16
Transport⁴	115	Nil	
Enabling Infrastructure⁵	41	1,367	60
Total⁶	453	11,693	515

* Sourced from investment Plan Outline Budget

- 1 BIS (2016) 'The Impact of Public Support for Innovation on Firm Outcomes suggests a cost of £5,000 per job created, which is well below other estimates of additionality – see What Works Centre for Local Growth (June 2016 ' Business Advice'. £20k has been used as a conservative measure of potential impact, after allowing for 20% overhead costs
- 2 30,000 funded interventions, 1:10 conversion rate (Source TVCA)
- 3 £30k cost per job based Homes and Communities Agency Cost Per Job Guidance (2015)
- 4 Assume no net impact.
- 5 £30k cost per job based HCA Cost Per Job Guidance (2015)
- 6 We have excluded the following cost heading: Project Development, Flexible Delivery and Evaluation, amounting to £11m as do not directly relate to delivery.

12. The following table provides a wider assessment (including wider multiplier effect on employment) of attributable jobs growth:

	Initial	Direct	Indirect	Induced	Total
Business growth	4,600	1,060	320	740	6,720
R, D & I	2,360	540	170	380	3,450
Education and Skills	3,000	690	210	480	4,380
Culture	367	80	30	60	537
Enabling Infrastructure	1,367	310	100	220	1,997
Total	11,693	2,680	830	1,880	17,084

13. Although the Investment Plan as presently constituted would contribute to circa 17,000 direct, induced and indirect jobs it is not anticipated that it would directly fund all job creation related to either the 25,000 new jobs or 116,000 replacement jobs targets.

Growth Scenarios

14. Four growth scenarios have been identified which consider the trade-off between increasing jobs growth and productivity and their sectoral implications, including:
- **Balanced Growth Scenario:** This is the status quo option, with no sectoral prioritisation. Jobs range 12,500 direct jobs;
 - **High Jobs Growth/Low GVA Scenario:** This would focus on the provision of entry level jobs mainly within health and social care, culture and leisure, retail, construction and logistics sectors. Indicative activities will primarily relate to skills/employability support and mainly related to larger employers. Principal risks relate to overexposure to cyclical downturns and issue of deadweight of support to larger companies. Jobs Range: 12,000-18,000 direct jobs*;
 - **Low Jobs Growth/High GVA Scenario:** This would mainly focus on the provision of high GVA jobs, mainly in emerging sectors: such as Biologics, Advanced Manufacturing, Process, Chemicals & Energy, Digital & Creative and Engineering Services. Indicative activities will relate to supply chain/export support and innovation interventions, principally to SMEs. Principal risks relate to high costs per job and an over-reliance on a small business base. Jobs Range: 6,000-12,000 direct jobs**, and
 - **Rebalanced Economy Scenario:** This would have targeted interventions at two sets of sectors: Jobs Rich: Principally Health and Social Care & Professional and Business Services, principally utilising skills/employability support interventions and Output growth/rebalancing: aimed at engineering services, process chemicals& energy, biologics and

engineering services. Indicative activities will relate to supply chain/export support and innovation interventions principally to SMEs. Jobs Range: 9,000-15,000 direct jobs*** and all do something risks apply.

15. The Rebalanced Economy Scenario is the preferred option as it addresses the following three criteria:
- Encourages jobs growth;
 - Enhances output and addresses the productivity challenge; and
 - Encourages sustainability (rebalancing), by further anchoring the region's remaining globally competitive sectors and developing infant industries such as biologics.
16. The following table illustrates the impact on job numbers of the Rebalanced Economy Scenario:

	Rebalanced Economy Scenario ³		
	Status Quo	Lower Scenario	Upper Scenario
Low Carbon/process, chemical and energy	1,000	750	1,250
Advanced Manufacturing	750	562	937
Other Manufacturing	-2,000	-1,500	-2,500
Construction	1,500	1,125	1,875
Professional and Business Services	3,500	2,625	4,375
Logistics	1,500	1,125	1,875
Digital	1,500	1,125	1,875
Higher Education	500	375	625
Health and Social Care	1,750	1,313	2,188
Services	1,000	750	1,250
Culture and Leisure	1,500	1,125	1,875
Total	12,500	9,375	15,625

17. The Sector Action Plans identified around 23 possible interventions, from which we have produced a short-list of 8 projects which require immediate action and are included in the draft Investment Plan for due consideration (amounting to £1.97m of direct support).

³ Upper and Lower Growth Scenarios reflect impact of focusing on job rich versus high productivity sectors.

18. The table below summarises the total costs (including direct match funding) and impacts of the proposed programme:

Intervention	Timeframe	Total Cost	Public Sector Contribution	Private Sector Contribution	Impact
Workforce Development Programme	5 year programme	£1.125m	£0.56m (Apprentice Levy + ERDF bid)	£0.56m	1,125 jobs
Collaborative Networks	5 year programme	£2.0m	£1.7m (from TVCA)	£0.3m	5 high potential start ups 100 jobs
Diversifying Markets	5 year programme	£2.5 m	£1.25 m (ERDF bid)	£1.25m	500 jobs
Inward Investment Programme	1 year pilot	£0.12m	£0.12 m (TVCA development fund)		1 inward investment 50 jobs
Scalable Companies Initiative	5 year programme	£0.45m	£0.25 million (Growth Hub bid)	£0.25m	150 jobs
Full Fibre Network	5 year programme	£15m	£0.15m (TVCA development fund)	£14.85m	20 construction jobs
Patient Capital Programme	5 year programme	£10m	£10 m (ERDF Legacy fund)		1,800 jobs
Developing Centres of Excellence (potential Institute of Technology)	Subject to national procurement exercise	TBC	TBC	TBC	TBC
Total		£31.2m	£14.0m (£1.97m from TVCA)	£17.21m	3,745 jobs

19. Appendix A provides further information on the activities proposed. These will need to be worked up in detail including identification of relevant funders/deliverers.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the findings from the Sector Action Plan Work and that Sector Champions, with support from Officers, be charged with their annual update;
- ii. Approve the redefinition of the following sectors: Process, Chemicals and Energy, Digital and Creative, Culture and Leisure and Health and Biologics;
- iii. Agree an initial package of activities of £1.97 million, as set out in paragraph 18 (subject to satisfactory completion of relevant due diligence and approval of the overall budget in February); and

- iv. Sanction further labour market analysis to assess the particular constraints facing the construction, leisure and health and social care sectors and further assess the fitness of purpose (to these sectors) of the proposed workforce development programme.

FINANCIAL IMPLICATIONS

20. The table below summarises the total costs (including direct match funding) and impacts of the proposed eight shortlisted interventions:

Intervention	Timeframe	Total Cost	Public Sector Contribution	Private Sector Contribution	Impact
Workforce Development Programme	5 year programme	£1.125m	£0.56m (Apprentice Levy + ERDF bid)	£0.56m	1,125 jobs
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Total		£31.2m	£14.0m (*£1.97m from TVCA)	£17.21m	3,745 jobs

21. The £14 million of public support potentially includes circa £10 million of legacy funding from the previous ERDF programme (2007-2014), £1.97million from the devolution deal, £0.25 from the refreshed growth hub fund and circa £1.8m of additional ERDF (from the present programme). This funding will be subject to appropriate due diligence through the Tees Valley Assurance Framework.

LEGAL IMPLICATIONS

22. The report summarises the findings of a larger independent study, although there are a number of recommendations which have possible financial implications, they will be still subject to a separate due diligence process.

RISK ASSESSMENT

23. This update report of a larger independent study is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

24. The action plans are the result of the following process of analysis, consultation and verification, including:
- **Survey:** 550 businesses engaged, 430 completions;
 - **Stakeholder Consultation:** 30 sector champions and businesses;
 - **Focus Groups:** 8 sessions involving circa 100 businesses;
 - **Thematic Workshops:** with the Local Authorities; and
 - **7 Prioritisation Workshops** with circa 70 businesses and sector champions.

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Appendix A

The following table identifies project impact and costs for a two year timeframe (except Full Fibre Network and the pilot Inward Investment Project):

Identified Need	Description of Intervention	Cost (including Assumptions)	Impact
Need to address emerging employment and skills gaps (including replacement demand) within companies	<p>Addressing the workforce challenge:</p> <ul style="list-style-type: none"> i. Retaining talent; ii. Attracting talent; iii. Middle Management training; and iv. Progression planning programme. <p>The project aims to assist those in work. Indicative activities could include:</p> <ul style="list-style-type: none"> i. Development of a 2 stage skills diagnostic: ii. Stage 1 Augmented Business Compass Diagnostic (Skills Component and to be applied to all applicant companies) iii. Stage 2: More in-depth skills diagnostic, for companies identified with significant skills opportunity potentially using EFQM approach (circa 200 companies) <p>Following skills diagnostic:</p> <ul style="list-style-type: none"> i. Progression Planning/ Middle Management Skills programme 	<p>Budget: Circa £1,125k (including circa £560k private sector match funding) based on:</p> <ul style="list-style-type: none"> i. Circa 2,500 companies (Business Compass contacts) undertaking skills diagnostic (Limited direct cost, except augmentation of Business Compass Diagnostic); ii. Stage 2 Diagnostic (750 companies) (50% private sector contribution) (2 days consultancy per company (£500 x2) = £750,000 (£150,000 private sector match). iii. Middle management skills programme: Accredited training programmes circa 375 beneficiaries £1,000 per course (50% match funding from private sector) 	<p>1,125 jobs created</p> <p>Productivity enhanced by 10%.</p>

Identified Need	Description of Intervention	Cost (including Assumptions)	Impact
Need to strengthen local clusters through enhanced collaboration	<p>Two types of collaborative networks:</p> <ul style="list-style-type: none"> • Self selecting (Group of companies which have an existing business idea which would be augmented through collaboration); and • Opportunity Driven (Encouraged to work together as a result of a collaboration call/ Open Data Event). <p>Each network may consist of a minimum of 4 Tees Valley companies. Networks can have representation from public sector organisations, academic institutes, the voluntary sector across and outwith of Tees Valley.</p> <p>In developing the proposal (for Mayoral Challenge Fund) they should provide evidence as to how they believe their project supports either the circular economy, digitisation or servitisation).</p> <ul style="list-style-type: none"> • Phase 1 (Scoping/Feasibility) Facilitation and consultancy fees; and • Phase 2 (Grant funding) for implementation of project idea. (If commercially viable, possible tie in to scalable companies programme) 	<p>Circa 25 collaborative networks supported.</p> <p>Average cost per intervention = (25x£25k for scoping) + 5x £250k for implementation of subsequent shortlisted project idea) + mentoring costs= £2m</p>	<p>£5m⁴ of GVA created 5 business start ups; 100 jobs</p>
Post BREXIT and post SSI, need to diversify supply chains and geographic markets	<p>Two strands:</p> <ol style="list-style-type: none"> Additional wraparound export support aimed at entry into new (emerging) markets, were there is a need for more frequent and extended travel FDI Programme (1 Year Pilot) (Focused on diversifying existing inward investment) 	<p>Wraparound Export Support:</p> <ul style="list-style-type: none"> • £2.5m programme equates to 125 company supports (circa £20k per company) and including 50% company; <p>FDI Support: Circa 2x2 Trade Visits Cost per trade visit circa £30k= £120k</p>	<p>Export Support⁵: On assumption of £25 million export orders= 500 jobs FDI ⁶Support: Attraction of 1 new enterprise= 50 jobs</p>

⁴ Benchmarked to Invest NI Collaborative Networks Programme

⁵ Benchmarked to Scottish Enterprise's Export Support Programme

⁶ Based on anticipated costs of a group of 4 visiting either Japan or South Korea

Identified Need	Description of Intervention	Cost (including Assumptions)	Impact
Too few high growth firms, need to focus on potentially scalable companies	<p>Scalable companies initiative:</p> <ul style="list-style-type: none"> i. Provision of an interim manager to develop the growth ambition of a small cohort of companies. 	<ul style="list-style-type: none"> i. Assumption of 30 scalable companies; ii. Cost per intervention=£15,000 (30 days consultancy) (not including sign-posting to other interventions) iii. Total cost £450,000 (including 50% private sector match funding). 	Creation of circa 150 jobs ⁷
Need for enhanced connectivity to facilitate roll out of digitisation	<p>To provide future proof broadband for the region: Key actions will include:</p> <ul style="list-style-type: none"> i. Digital diagnostic developed and possibly rolled out through the existing Business Compass diagnostic; ii. Scoping exercise to identify best mechanisms for the roll-out of business orientated gigabit broadband; iii. Application for funding under the UK Government's Local Full Fibre Network and private sector support (through the capitalisation of existing revenue support); and iv. Enablement of all key business premises 	<ul style="list-style-type: none"> i. Direct costs: circa £150k for scoping exercise; ii. Capitalisation of existing revenue activities by Councils; iii. Capital support from private sector circa £15m; 	<p>20 FTE construction jobs</p> <p>Creation of circa £90⁸ million of additional GVA which equates to circa 2,000 FTE jobs</p>

⁷ Benchmarked to the Invest NI Goldstar Mentoring Programme

⁸ Benchmarked to SQW's Evaluation of Broadband

Identified Need	Description of Intervention	Cost (including Assumptions)	Impact
Need for additional financial support for more speculative/longer term investments.	Develop a patient capital fund to invest in high risk/long term projects, including: <ul style="list-style-type: none"> • Provision of R&D facilities, specialist fit out; and • Equity support for scalable companies (which do not meet the risk profile of Northern Powerhouse Investment Fund; and 	iv. Circa £10m	Creation of circa £80million ⁹ of additional equity equates to 1,800 jobs
Need for technical/Specialist retraining for changing market conditions	This will be demand led including bespoke training, CPD and bite sized provision and formal training and is focused on embedding specialist skills. It will be linked to the Open Access initiative, which is orientated towards knowledge transfer/innovation exchange between HE/FE sector and SMEs.	TBC	TBC

⁹ Benchmarked to Evaluation of Scottish Investment Bank

TEES VALLEY SECTOR ACTION PLANS

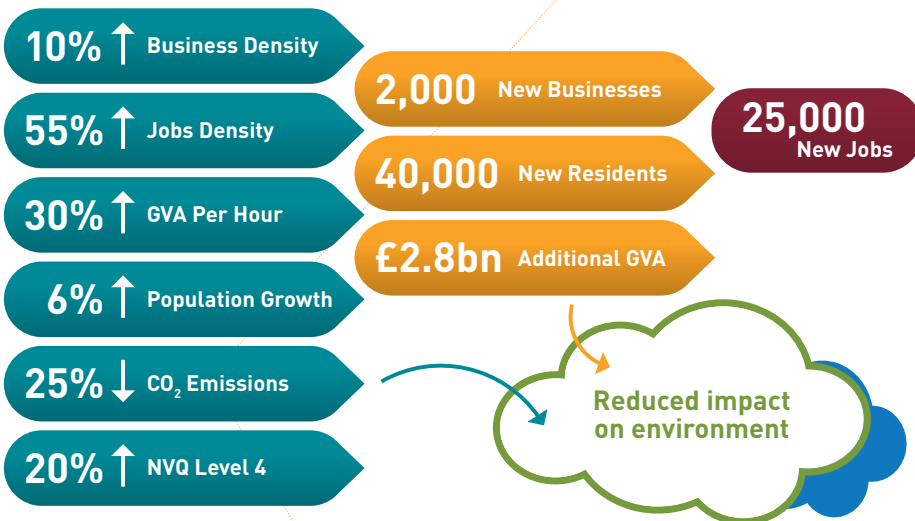
Executive Summary

December 2017



1.0 Introduction and Methodology

The refreshed Strategic Economic Plan: The Industrial Strategy for the Tees Valley (SEP) established an ambition for Tees Valley to become a high value, low carbon, diverse and inclusive economy and in so doing, to achieve the following targets by 2026:



To enable delivery against these targets the refreshed SEP called for “Detailed sector action plans be prepared to identify specific activities that are needed to remove barriers and realise opportunities for the growth and sustainability of the 25,000 jobs target.”

This report provides a summary of the action planning process and outcomes for the following 7 priority sectors and 1 cross cutting theme identified in the refreshed SEP:

- Advanced Manufacturing;
- Culture & Leisure;
- Digital & Creative;
- Health & Biologics;
- Logistics;
- Process, Chemicals & Energy;
- Professional & Business Services; and
- The Circular Economy (Cross-cutting theme).

Methodology

The action plans are the result of the following process of analysis, consultation and verification:

- Survey: December 2016: 550 businesses engaged, 430 completions;
- Consultation with sector champions & businesses;
- 8 Focus Group sessions with businesses and stakeholders;
- Sharing of documents and plans through web-platform; and
- Cross referenced to the following emerging strategies:
 - How to Create Great Jobs: Towards a Regional Industrial Strategy for Tees Valley, Trade Union Congress (2017); and
 - Industrial Strategy: Building a Britain fit for the Future: Department for Business, Energy and Industrial Strategy(2017)

Structure of Report

This report provides an overview of the key issues and opportunities raised in the consultation exercise and confirms emerging themes which have informed the indicative activities in each of the 7 Sector Action Plans and 1 Cross-cutting Action Plan.

Finally, it provides a number of growth scenarios in terms of jobs and productivity (Gross Value Added) which may inform subsequent prioritisation of investment, by sector and theme in the Tees Valley over the next three years. The report has the following sections:

- 2.0 Maximising Opportunities, Mitigating Weaknesses;
- 3.0 Addressing low: growth ambition, productivity and jobs gap;
- 4.0 Changing Perceptions of Tees Valley and its Economic Role;
- 5.0 Maximising Impact;
- 6.0 Long List of Proposed Interventions;
- 7.0 Growth Scenarios;
- 8.0 Short List of Interventions



2.0 Maximising Opportunities, Mitigating Weaknesses

A summary of the SWOT analysis is shown below:

Strengths

- Globally competitive in sectors such as Process, Chemicals & Energy and Advanced Manufacturing;
- Strong regional capability in enabling sectors: logistics, digital and creative and business and professional services;
- Strong local supply chains and tie into a few but large scale exporters across all sectors;
- Strong and supportive local governance with excellent engagement with business; and
- International connectedness through air and sea.

Weakness

- Limited recognition of Tees Valley Brand: Stronger ownership / management of the Tees Valley brand;
- Branch Plant Syndrome: Overseas control of business and investment decisions;
- Market failure of commercial and residential property markets;
- Skills: Attracting and retaining technical and managerial talent; and
- Business Density: Too few companies and lack of growth appetite amongst indigenous SMEs.

Opportunities

- Emerging strengths in infant industries for the Tees Valley such as Biologics and Culture and Leisure;
- Industry 4.0 (e.g. industrial digitisation) and the creation of new markets/supply chains through servitisation (creating a service out of manufacturing products and processes);
- Untapped potential of Local Institutions- in particular making best use of the regional innovation ecosystem;
- Circular economy: Strong asset and skills base: Opportunities within local supply chains and in the attraction of inward investment;
- Devolution: Tees Valley centric solutions; and
- Need to ensure local alignment with emerging national sector deals.

Threats

- High costs of doing business: High preponderance of energy and raw material intensive businesses;
- Over-dependence on too few exporters/supply chains, need to diversify;
- Grant dependency: Need to develop further links both within and beyond region to wider investor community;
- Reliance on ageing social and physical infrastructure: need for sectoral rebalancing; and
- Ageing workforce: Need to address replacement gaps, particularly amongst older/higher skilled individuals.

Stakeholder and business engagement identified the following:

Sector Specific Findings:

Each of the following sectors aligns with the sectoral definitions used in the refreshed SEP:

- **Advanced Manufacturing:** The sector has been an early adopter of 'servitisation', with the most significant productivity gains being made within the export of engineering services. This aspect of the sector will be greatly enhanced through improved air and broadband connectivity. In the wider sector, there is a need for support in two areas: New product development, specifically materials and supply chain diversification;
- **Biologics sector:** Although small, the sector is characterised by a range of companies offering complementary (not competing) products. The sector would significantly benefit from closer collaboration, particularly in relation to common procurement and regulatory due diligence;
- **Culture and Leisure:** In terms of number of companies and total employment, the sector is amongst the largest in Tees Valley and although there are a comparatively high number of visitors to the region, GVA per job remains low mainly due to low visitor spend. However, the sector has not yet fully availed of key aspects of innovation and wider business support (in particular digitisation);
- **Digital and Creative:** There is significant growth potential within the digital sector, principally in relation to being an enabler for the other priority sectors across the Tees Valley. A key priority must be for supply chain support. The sector also specified physical co-location, with preferred accommodation being high specification serviced offices in city centre locations;
- **Logistics:** Growth within the sector continues to be dominated by investment in 'key assets', such as the port, roads, rail and airport. However, there continues to be little 'added value around key assets' (in particular manufacturing activity) with Humberside providing a useful benchmark for good partnership working and the attraction of higher levels of foreign direct investment;
- **Process, chemicals and energy:** Considered by respondents across all sectors to be the lynchpin of the Tees Valley economy, national visibility of the sector continues to be a priority. The sector continues to be mainly 'price sensitive' and not research intensive due to its branch plant status. Principal opportunities relate to: 'reshoring' and enhancing ties with the wider UK innovation ecosystem;
- **Professional and Business Services:** Tier 1 and Tier 2 Legal and Accountancy firms have largely withdrawn from the region due to a lack of market depth. Many of the remaining business base face constraints related to progression planning; and
- **Circular Economy:** There is presently a lack of understanding of the application of this concept by businesses across all sectors. There is a need for public sector leadership to demonstrate the validity of the approach.

Concerns over sector designations: In particular:

- Process, chemicals and Energy: A more accurate reflection of the sector would stress the relationship to the following sub-sectors: Engineering services, Advanced Manufacturing, Professional and Business Services and Logistics;
- Digital and Creative: There should be a tighter focus on digital companies, with creative industries augmenting the Culture and Leisure sector;
- Culture and Leisure: Sectoral feedback identified that there were a variety of aims for this sector including: Social Inclusion, Attraction and Retention of Talent and Economic Growth. Economic growth focused on tourism opportunities should be the focus of any sectoral definition;
- Health and Biologics: There should be a tighter focus on biologics and life sciences, with health (social) care possibly being a separate sub sector of its own (although it shares common characteristics with other sectors such as retail and leisure); and
- Construction: There is a need for consideration of the labour market implications of this vital 'jobs rich' enabling sector.

Significant variation in the degree of economic intelligence and insight between the seven reports.

In general the sector action plans for the more established sectors (such as Process, Chemicals and Energy, Advanced Manufacturing and Logistics) were viewed as being more comprehensive, however there continues to be significant gaps in understanding in a number of emerging sectors, in particular:

- Digital and Creative;
- Culture and Leisure; and
- Health and Biologics.

However, feedback from partners and business champions was that the sector action plans provided a useful framework for analysis and that they should be considered a live document for routine update.

Thematic Findings:

- Education, Employment and Skills were noted as the most significant constraint facing businesses. In particular, there was a need to correctly diagnose emerging skills and employment gaps and putting in place mitigating in-company support aimed at existing employees;
- Promotion of place (and culture) was recognised as playing a key role in the attraction and retention of talent. There continues to be a perceived shortfall in the provision of appropriate (high specification) accommodation and R&D facilities and an associated lack of development funding. Connectivity and in particular future proofed broadband (full fibre network) was seen as being vital for continuing competitiveness (through digitisation); and
- Innovation per se, was not seen as a key driver of growth, however a number of common issues related to it were seen as key priorities:
 - Post Brexit and SSI there is a need to diversify markets/supply chains and enhance productivity through the development of new products and processes;
 - A lack of critical mass locally and therefore a need for enhanced collaboration in the development of new products and processes supported through a wider range of flexible funding sources;
 - A need to build on existing local competencies by attracting additional inward investment (building on existing profit centres); and
 - Unlike other regions, Tees Valley has too few fast growth companies, which are both jobs rich and have higher productivity.

In response to the SWOT and the detailed feedback from businesses, there are a number of emerging themes which have influenced the subsequent design of individual action plans, including:

Addressing low: growth ambition, productivity and jobs growth:

- Ensuring increased digitisation and servitisation (creating new follow on services from manufacturing techniques);
- Utilising the circular economy; and
- Promoting inclusion.

Changing perceptions of Tees Valley and its economic role, by:

- Increasing exports and range of markets we export to and diversifying supply chains;
- Addressing the 'branch plant' issue and encouraging greater collaboration across the innovation ecosystem;
- Creating not only a business environment but a people environment; and
- Creating working arrangements across a range of new geographies.

Maximising Impact, by:

- More strategic projects (fewer but larger);
- Prioritising by sector, in terms of jobs versus Gross Value Add (Output);
- Prioritising by scale of enterprise;
- Moving companies along the financial ecosystem; and
- Tie into national initiatives (sector deals)

Growth Scenarios, including:

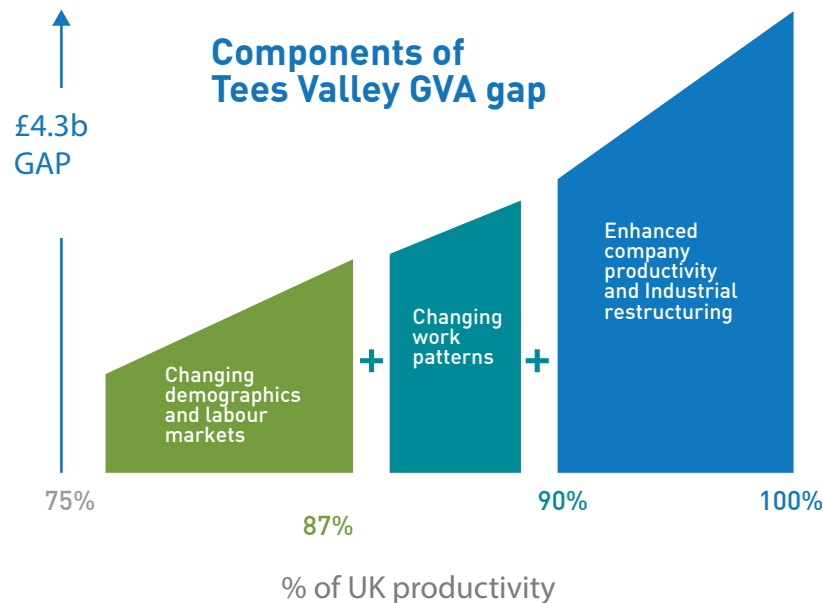
- High Jobs Growth/Low GVA Scenario;
- Low Jobs Growth/High GVA Scenario;
- Balanced Growth Scenario; and
- Rebalanced Economy Approach.



3.0 Addressing low: growth ambition, productivity and jobs gap

There are three significant issues affecting Tees Valley's productivity:

The chart below illustrates the components of the Tees Valley GVA gap with the rest of the UK:



Changing Demographic and Labour Markets

Encouraging inclusive growth by increasing the number of economically active working age residents, with a particular reference in creating opportunities for the long term unemployed and economically inactive:

- Low Employment rate: 293,100 Tees Valley residents were employed in 2016. This equates to an employment rate of 68.9%, considerably below the UK's 73.9%;

- Low Level of Educational Attainment: Tees Valley residents are less well qualified than in many other parts of the country. In terms of Level 4+ qualifications in 2016, the area needs an additional 26,700 residents qualified to that level to match the UK rate; and
- Replacement Jobs: There is a need for 116,000 replacement jobs over the next 10 years across a wide range of sectors and skillsets due to the impact of an ageing workforce. Without urgent action there is a real threat that posts will need to be filled by people from outside the region and that more junior staff will not be able to progress within their existing company/ sector.

Indicative activities aimed at enhancing inclusive growth and lifetime opportunities include:

- Career inspiration programmes;
- Signposting and re-skilling;
- Workforce development (replacement jobs);
- Management/Leadership training;
- Enhanced use of social clauses for large scale regeneration programmes;
- Incentivising employers to recruit 'hard to reach groups'; and
- Targeting investment in job rich sectors (particularly healthcare, business services and logistics).

Our approach is to create sustainable jobs for people and businesses:

- Highly productive workers, enhancing the competitiveness of our business base; and
- Well remunerated jobs which meet the needs and aspirations of workers.

Changing work patterns and enhanced company productivity

Although we talk about rebalancing the economy through sectoral prioritisation later in the document, in this section we demonstrate how the refreshed SEP and sector actions aim to address low growth ambition in firms and hence low productivity.

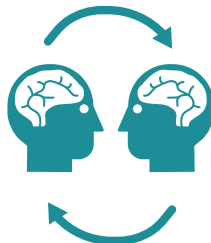
Companies don't undertake innovation for its own sake, it is either a means to mitigate the high costs of doing business/ a particular constraint or in response to an emerging opportunity such as a new export market or supply chain initiative. It is essential to demonstrate the economic validity of new technologies to the local business base. Consequently, there will be an enhanced emphasis on the following 3 factors which can reduce the costs of doing business and increase profit margin:

- **Digitisation:** Digital technology and processes are continuing to impact on all aspects of enterprise and life, through systems convergence, disrupting business practices, transforming relationships with customers and creating new ways to harness the power of 'big data'. Potential applications include:

Mobile Internet



- Convergence of mobile and fixed technologies
- Seamless mobile internet/ data access expected



Digital Skills

- Digital skills increasingly relevant to the workplace
- Digital platforms used to match employers with labour market

Global networks



- Digital skills increasingly relevant to the workplace
- Digital platforms used to match employers with labour market

Cloud Technology



- Greater usage of online servers and computing power
- Evolution of working environment and technology



Automation

- 3D printing transforming manufacturing
- Autonomous robotics and transportation rapidly advancing

Internet of Things



- Integrating 'big data' from multiple sources delivering solutions
- Commercialisation of data for innovative applications

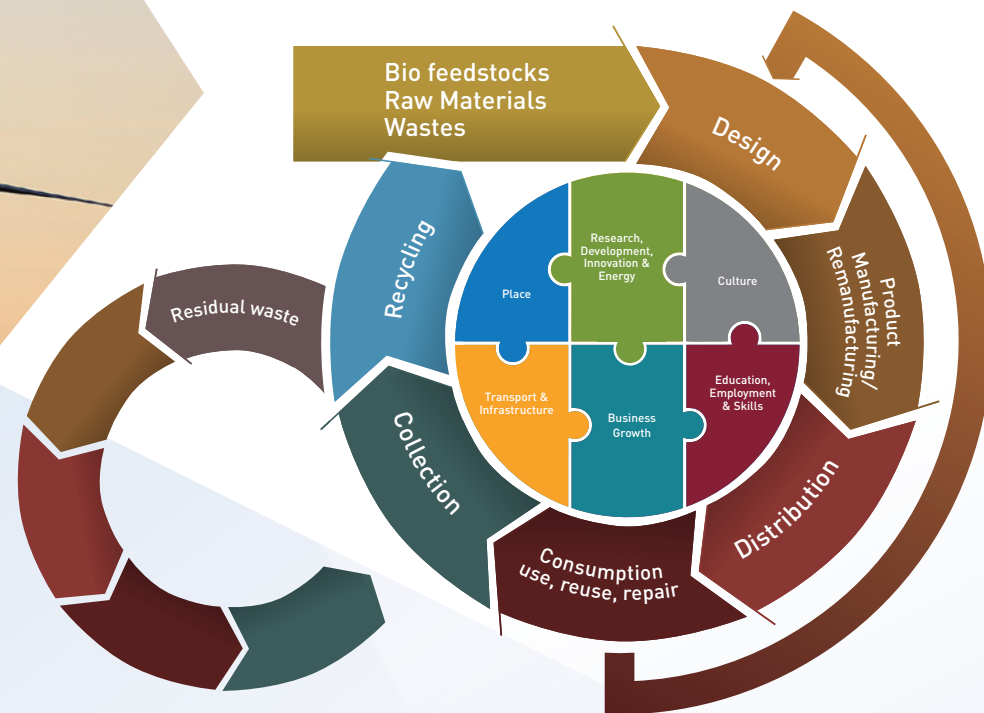
- With over 970 companies and a combined GVA of £380million, Tees Valley has indigenous strength in the digital media sector. There is an opportunity, through knowledge transfer and collaboration with the local digital media sector to improve productivity and international competitiveness through enhanced digitisation of products and processes across all priority sectors.

Circular Economy: The Circular Economy seeks to promote a shift away from the traditional linear economic model that emphasises 'take', 'make' and 'dispose' and its associated reliance on large quantities of cheap, easily accessible materials and energy, to a situation, where businesses can reduce wastage and reliance on importing raw materials and energy through product/process re-design and re-using inputs:

Although the most significant impact of the Circular Economy to the Tees Valley would be on industrial Symbiosis within the chemicals and processing sector, quick wins could be demonstrated in the following sectors:

- **Hospitality:** Low alcohol beer from leftover bread rolls;
- **Professional Services:** Secure IT recycling and refurbishment as well as WEEE recycling; and
- **Biologics:** Producing a superior next generation biofuel (and other high value sustainable products) from the by-products of biological industries.

“An ideal location to pilot and demonstrate the benefits and opportunities of the circular economy. With one of Europe’s largest integrated industrial complexes... targeted investment could help maintain the future of existing industries and to develop new economic opportunities.”
Lord Heseltine’s 2016 Review



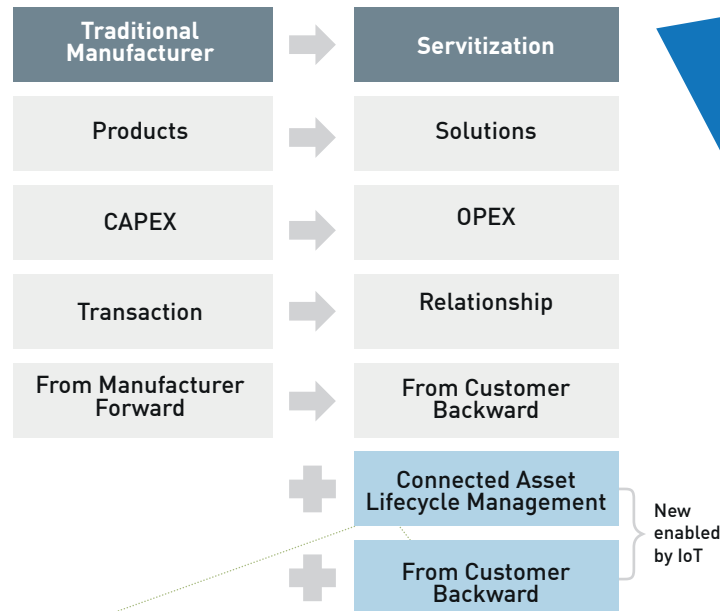
3.0 Addressing low: growth ambition, productivity and jobs

■ **Servitisation:** Servitisation can be considered as a shift from selling products to selling an integrated combination of products and services that deliver value in use. When carried out in combination with digitisation and circular economy approaches, it too can enhance productivity and international competitiveness.

■ Tees Valley leads the way in terms of manufacturing servitisation with around 14,000 jobs, 5.2% of total employees or 2.3 times the number of employees working in the sector compared to England as a whole. However there is an opportunity to further augment the service offering across all of the priority sectors.

Although the technology and approaches supporting digitisation, servitisation and the circular economy are largely proven, there remains a degree of uncertainty as to their economic validity amongst the business base. It will be necessary to demonstrate their application to business through **use of collaborative networks** (private, public and higher education sectors) and **innovation funds**.

By undertaking these activities, we will contribute to addressing the £4.3bn gap in regional output.



4.0 Changing Perceptions of Tees Valley & its Economic Role

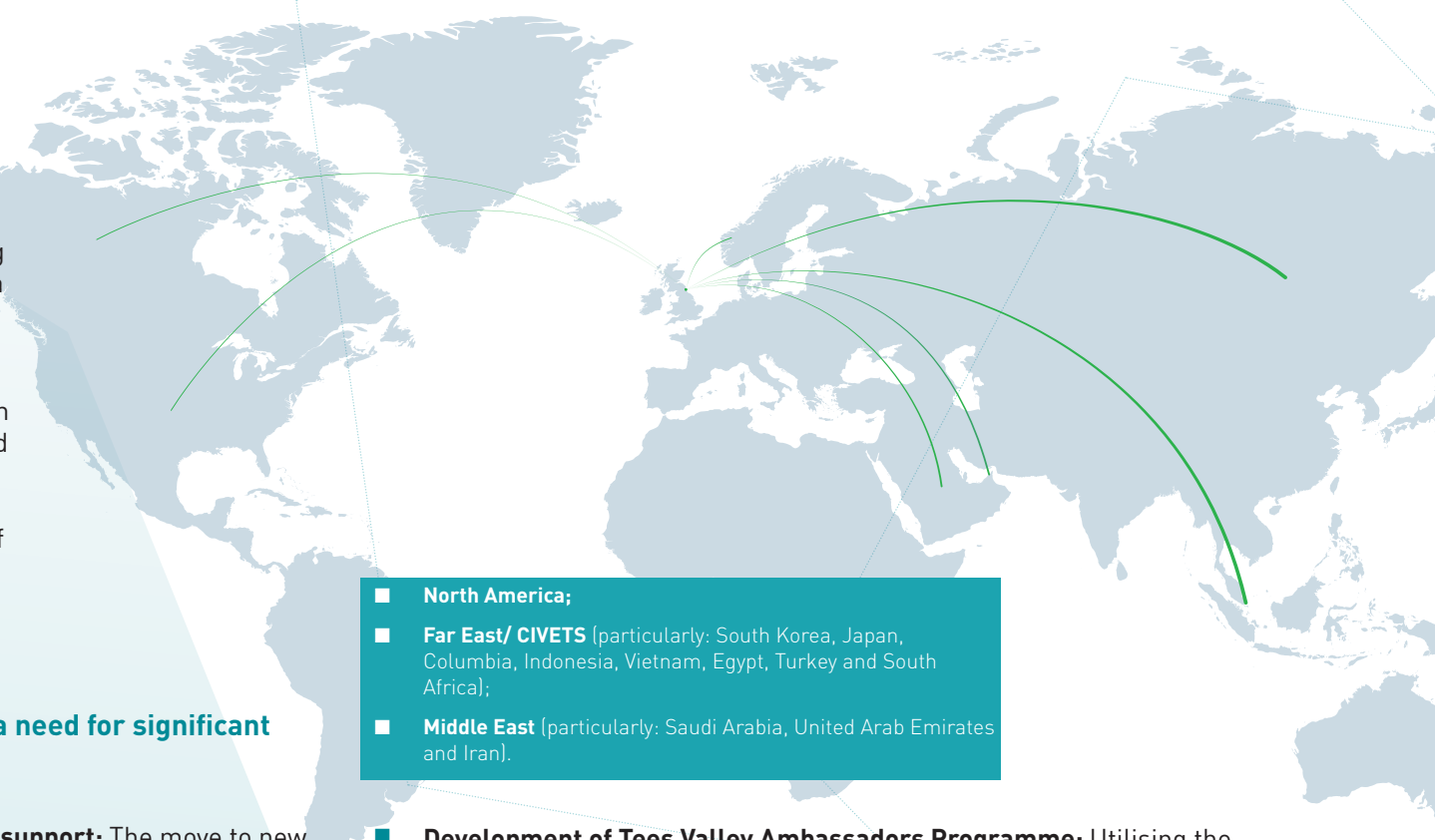
The consultation exercise to inform the sector action plans, identified the need to enhance the visibility of the Tees Valley and its component industrial base, both to Government and to potential investors/business partners.

A key action is therefore to change perceptions of Tees Valley and its economic role by:

- **Increasing exports and range of markets exported to and diversifying supply chains:** Although the North East as a whole has a strong tradition of export activity, this is dominated by a few but large internationally owned companies. There is also a strong dependency by local producers of intermediary goods on the supply to the local market. This was made evident with the recent closure of SSI and the highly localised and concentrated nature of its supply chain. Finally, the BREXIT debate has highlighted the over-dependence (62% of total goods exports) of the North East and Tees Valley in particular, on exporting to European markets.

To address this trade imbalance there will be a need for significant support, including:

- **Trade Visits and additional wraparound export support:** The move to new markets, particularly in emerging markets in more distant parts of the globe will require significant amendments to the types of support offered to companies. Unlike doing business in Europe, opportunities in many emerging markets, require more time to establish relationships and trust and compounded by distance, means the cost of trade and trade visits is more expensive. Consequently there is a need for additional wraparound export support to understand new markets and trading relationships;
- **Development of Tees Valley Ambassadors Programme:** Utilising the diaspora of professional and technical staff (originally from Tees Valley and now in leading positions across the globe) to highlight emerging opportunities and work with local leaders to promote the region;
- **Investor Readiness Programme:** Principally aimed at encouraging business expansion amongst indigenous firms and the attraction of new investment into the region.

- 
- **North America;**
 - **Far East/ CIVETS** (particularly: South Korea, Japan, Columbia, Indonesia, Vietnam, Egypt, Turkey and South Africa);
 - **Middle East** (particularly: Saudi Arabia, United Arab Emirates and Iran).

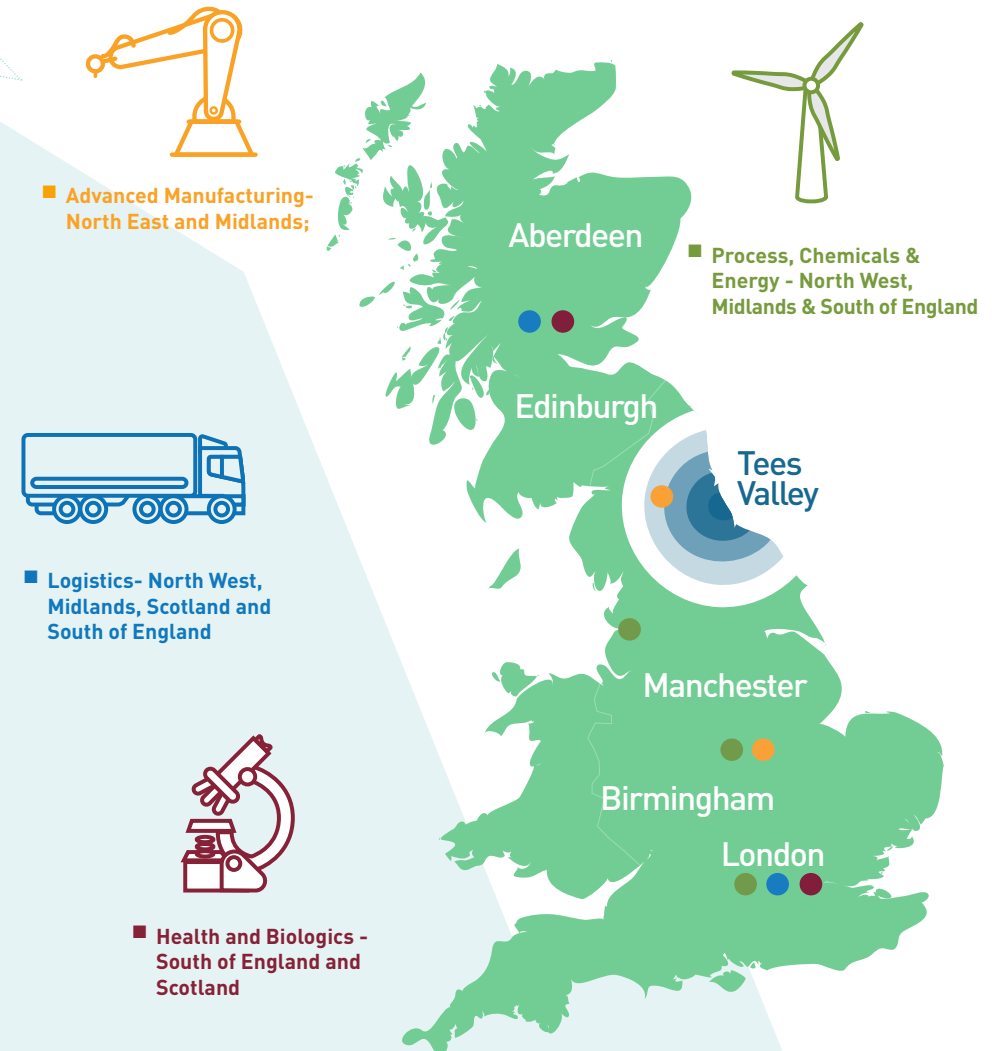
- **Creating not only a business environment but a people environment:** Many Tees Valley businesses report difficulties in attracting and retaining staff. Survey and consultation evidence has identified the principal constraints as being two-fold: perceived lack of quantum of subsequent job opportunities and an absence of cultural, sporting and entertainment activities across the region:

- We will aim to develop job opportunities by continuing to support business start ups and those companies with significant growth potential;
- We will enhance the people environment through concerted investment in infrastructure including:
- More visitor attractions and the development of a private sector led culture/tourism offering; and
- Development of town centres where people can work, live and play; a '24 hour economy'.

- **Addressing the 'branch plant' issue and encouraging greater collaboration across the innovation ecosystem:** Although circa 98% of enterprises are indigenously owned micro and SMEs, exports as previously noted are principally delivered by a few but large internationally owned companies, particularly in the process, chemicals and advanced manufacturing sectors. Although beneficial to the local economy, they are merely branch plants, there is a need to further anchor them in the region. The principal methods for anchoring these companies will be: encouraging tighter linkages with the regional innovation ecosystem and through Trade Visits and Strategic Account Management, the attraction and retention of new /higher added functions from overseas owned companies; and

- **Creating working arrangements across a range of new geographies:** Tees Valley is no longer solely a component part of the North East, it now operates in new economic and political geographies: part of the Northern Powerhouse, one of six Combined Authorities and according to the emerging Industrial Strategy, as an international cluster for sectors such as chemicals, advanced manufacturing and producer of intermediate goods

for the automotive sector. Working across such geographies, necessitates clearer messaging of strategic intent, alliance building and prioritisation of resources. It will therefore be necessary to have a coordinated role between the new Mayor, Combined Authority and sectoral champions to ensure a consistent message to local businesses and the wider supply chain.



5.0 Maximising Impact

The previous sections have identified new interventions to address existing/emerging opportunities and constraints. However the sector action plans also call for maximising impact by enhanced prioritisation. The move from programme support to a Single Pot approach provides such an opportunity, including:

- **More strategic projects (fewer but larger) and moving companies along the financial ecosystem:** The refreshed SEP calls for an enhanced leverage rate (£8:1 as opposed to £6.5:1). This will only be achieved by moving away from providing grants/gap funding to small projects and onto providing investment (loans/equity) to larger/more strategic projects. Although there may still be occasions, when grants will be needed (most extreme market failures), the investment principle going forward is maximising economic and financial returns to the region.
- **Prioritising by scale of enterprise and by sector:** Although most of our investment will continue to be focused on supporting micro, small and medium sized enterprises (as collectively these account for circa 98% of companies across the Tees Valley) two emerging opportunities have led to greater attention being paid to supporting medium/large enterprises including:
 - **Changing state aid guideline for Tees Valley:** Although governed by European guidelines and subject to change in any Brexit agreement, Tees Valley (and wider NUTS 2 area of County Durham) is now classified as a Less Developed Region- this means that the rate of intervention to micro and SMEs has increased and also that assistance can now be provided to large companies; and
 - **Emerging research on scalable companies:** These tend to be larger companies, who if supported are both jobs rich (produce more jobs) and more productive (GVA per job is significantly higher).
- **Indicative activities include:** Development of a scalable companies initiative, providing additional wrap-around support of business compass interventions primarily to medium and large scale companies. However, it is essential that Tees Valley has the evidence base and strategic and operational flexibility to tie into emerging national initiatives such as sector deals.



6.0 Long List of Proposed Interventions

The following table identifies the emerging business need and associated mitigating activities:

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism*
Education, Employment and Skills					
Ongoing job vacancies; and Skills mismatch	Career Inspiration Programme	This action seeks to align residents career aspirations with future growth prospects . Interventions may include: <ul style="list-style-type: none"> • Ongoing dialogue with employers/representative bodies in priority sectors; • Sector specific skills events; • Fact sheets/blogs; and • Focused internships/ study visits/Job placements. 	Improved	All	1/2/3
Need for technical/specialist retraining for changing market conditions	Developing Centres of Excellence (potential Institute of Technology)	This provision will be demand-led including bespoke training, CPD and 'bite sized' provision and formal training and is focused on embedding specialist skills. It will be linked to the Open Access initiative, which is orientated towards knowledge transfer/innovation between HE/FE sector and SMEs.	New	All	3/4
Many job applicants lack basic (often interpersonal) skills	Jobs Readiness Programme	Labour market intermediary interventions which provide an informed understanding of employer needs linked to the key sectors. Work with DWP and third sector to develop information, advice and guidance on pathways to the key sectors. Coordination of existing programmes: YEI, and Building Better Opportunities.	Improved	All	2/3
Need for greater clarity regarding use of apprenticeships	Signposting apprenticeship opportunities and promoting progression	<ul style="list-style-type: none"> • Increasing use of Apprenticeship Ambassadors (promotion and engagement with firms); • Roll-out of replacement to Apprenticeship Grant for Employers; • Supporting enhanced uptake of Apprenticeship levy (workshops and 1-1s); • Promoting progression to high level apprenticeships (workshops and 1-1s) 	Improved	All	2/3/4

* Delivery mechanisms: 1: CA funded and delivered, 2: CA funded and commissioned, 3: CA funded and delivered by third party, 4: CA influencing role only

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism
Education, Employment and Skills					
Workforce with: <ul style="list-style-type: none"> • Low(er) productivity; • Low growth ambition; • Limited progression planning; • Skills mismatch. 	Addressing the workforce challenge	<ul style="list-style-type: none"> • Retaining talent; • Attracting talent; • Middle management training; and • Progression programme. • Indicative activities could include: <ul style="list-style-type: none"> • Development of skills diagnostic (possibly augmenting Business Compass diagnostic); • Training workshops (Deliver up to date information on people related issues • (Inter-personal) Skills growth programme: Unlock the potential of staff by improving key skills such as team working and problem solving; and • Sign-posting to Centres of Excellence Programme. 	Improved	All	1/2/3
Transport and Infrastructure					
<ul style="list-style-type: none"> • Need for enhanced (internationally competitive) broadband speed and coverage 	Smart Region (Full Fibre Network)	The aim of the initiative is twofold: <ul style="list-style-type: none"> • To provide globally competitive broadband; and • To create an 'integrated learning region' which is able to utilise publicly available data to develop policy interventions, utilising the critical mass of Tees Valley. <ul style="list-style-type: none"> • Based on the Chattanooga Approach this will be a combination of infrastructural development and the subsequent use of big data. Key actions will include: <ul style="list-style-type: none"> • Scoping exercise to identify best mechanism for the roll-out of business orientated Full Fibre Network; • Development of business case to identify public/ private funding opportunities; and • Enablement of all key business premises; • By-products will include: <ul style="list-style-type: none"> • Development of a data lab approach/open innovation events to develop policy decisions; and • Development of digitisation support initiatives. 	New	All	2

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism
Culture					
<ul style="list-style-type: none"> • Need to create a good living environment to attract and retain people • Seen as an infant industry, need to develop a Tees Valley culture offer 	City of Culture Strategy and Implementation	<p>Support for the development of a City Culture Strategy and subsequent Action Plan, including:</p> <ul style="list-style-type: none"> • Cultural Mapping and Capacity Review; • Understanding of identify; • Capacity building (support the existing cultural assets); • Audience development; and • Facilitation in the development of major visitor attractions. 	Improved	Culture & Leisure	2, 3 & 4
<ul style="list-style-type: none"> • Need to develop the leadership capacity of the sector 	Establish a destination Management Function	A visitor destination plan refresh is underway which will determine the destination management function. It will coordinate tourism and investment activities and build wider links and joint offer with adjacent regions	Improved	Culture & Leisure	1, 2, 3 & 4
<ul style="list-style-type: none"> • Need to enhance the physical offering of the sector 	Feasibility Study and roll out of cultural capital fund for accommodation and exhibition and event space	2 stage: Preliminary feasibility study/action plan and identification of culture priorities for incorporation into capital investment plan	Improved	Culture & Leisure	2, 3 & 4

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism
Place					
<ul style="list-style-type: none"> Concerns over the fitness for purpose of wider physical infrastructure 	Resilience Study and Action Plan	Study investigating the continued fitness of purpose of the wider physical infrastructure across the Tees Valley, leading to the development of an Action Plan	New	All	3
<ul style="list-style-type: none"> Perceptions that there is a mismatch between land and property demand (Grade A office accommodation) and existing supply 	Sites and premises review	Review (assessment of fitness of purpose) of existing and planned sites and premises and the opportunities for either: <ul style="list-style-type: none"> repurposing/reuse of premises/land (particularly town centres and existing business parks); New build. Also investigation into new funding mechanisms Subsequent development of land and property action plan	New	All	2 & 3
<ul style="list-style-type: none"> Use our main gateways as a focus of adding value 	Gateways development plan	Utilise Mayoral Development Corporation model to develop sector specific place interventions for the attraction of FDI to the region, including: Logistics Hub and Low Carbon Aeronautical Fuel Hub to support aeronautical opportunities	New	Logistics, Adv Man Energy	1, 2, 3, 4

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism
Research, development, innovation and energy					
<ul style="list-style-type: none"> Need for accessible and affordable testing facilities 	Open access testing facilities	<p>Preliminary mapping and engagement of all cutting edge equipment and training provision across Centres of Excellence, FE and HE facilities.</p> <p>Branding exercise and links to Innovate Tees Valley and Business Compass (potential tie in to Innovation Vouchers for product testing /feasibility).</p>	New	All	2, 3
<ul style="list-style-type: none"> Need for cheap and large scale demonstration space 	Provision of land in support of demonstration projects	<p>Utilising vacant sites (preferably with closed grids) direct financial support/provision of space for a range of demonstration projects (i.e. applied research facilities used to illustrate the commercial viability of circular economy solutions to local and national businesses</p>	New	Circular economy	2, 3
<ul style="list-style-type: none"> High costs of investing in innovation; and Lack of experience of innovation No mechanism for providing innovative answers to common problems 	<p>Innovation (collaborative) networks</p> <p>(Mayoral) Innovation Challenge Funds</p>	<p>Funding will be provided to support investment in collaborative innovation (principally related to circular economy, digitisation or servitisation solutions) as a result of:</p> <ul style="list-style-type: none"> Responses to Mayoral Challenges: Usually arising from Open Data Events or specific challenges set by the Mayor and key advisors); Sector specific challenges: Usually arising from individual businesses and community/voluntary sector bodies in response to an identified constraint. 	New	All	2, 3

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism
Research, development, innovation and energy					
<ul style="list-style-type: none"> Insufficient information about funding opportunities 	Brokering access to innovation funding	Brokerage support to businesses to facilitate access to finance and take up of R&D activity. Coordinate (through facilitated workshops) the innovation support offer to simplify pathways to opportunities such as the Industrial Strategy Challenge Fund, Higher Education Innovation Funding, Small Business Research Funds, Knowledge Transfer Partnerships, Research Partnerships Investment Fund and Northern Powerhouse Investment Fund	New	All	4
<ul style="list-style-type: none"> Loss of national investment into Tees Valley 	Utilise sector deals	Utilising Science and Innovation Audits, as well as emerging industry groupings, identify and support (through facilitation) a number of sector deals	New	Chemicals Adv Man, Off Shore Bio-econ Biologics	4
<ul style="list-style-type: none"> Need for patient capital to invest in high risk/slow payoff initiatives 	Investing in innovative projects	Develop a patient capital fund to invest in high risk/long term projects, including: <ul style="list-style-type: none"> Provision of R&D facilities; Equity support for scalable companies (which do not meet the risk profile of Northern Powerhouse Investment Fund); and Corporate accelerator model: <ul style="list-style-type: none"> Preliminary scoping work with research intensive firms; Development of programme of support including: <ul style="list-style-type: none"> Boot-camps to encourage collaboration in product/process design Intellectual Property support; and Equity advice/commercialisation. 	New	Chemicals Adv Man Circular economy Biologics	2

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism
Business Growth					
<ul style="list-style-type: none"> Problems of translating appetite for growth into deliverable actions. 	Scalable Companies Programme:	<ul style="list-style-type: none"> Following standard Business Compass diagnostic, an interim manager/non exec director may be placed with an identified company (Specialist Account Managed Companies (Scalable Companies) or Early Stage Growth (Potential Scalable Companies); to develop the growth ambition of the firm and the following types of support may be offered: <ul style="list-style-type: none"> Investor Readiness; Specialist Export Support; Specialist Manufacturing Support (digitisation, servitisation and or circular economy solutions); and Supply Chain Diversification. 	New	All	2, 3
<ul style="list-style-type: none"> Need to diversify markets (both export and FDI) 	Foreign Markets programme (FDI and Exporting) Wrap around export support Tees Valley /Mayoral Trade Ambassadors Programme	<ul style="list-style-type: none"> Augmenting the standard DIT Passport to export initiative, the programme will provide the following suite of support: <ul style="list-style-type: none"> A 'Trade' Knowledge Transfer Partnership, utilising an academic/specialist in the target market and a 'local graduate with language skills' to develop an export strategy for target market and subsequent implementation of action plan; Additional in-market visits to target markets; and Inward bound sectoral marketing events. <p>Enhanced FDI and investment support to Catapult(s); Mayoral/Tees Valley sectoral visits to target markets for both trade and Foreign Direct Investment: Utilising Tees Valley overseas workers in senior positions in target markets and sectors to act as ambassadors for the region and identify emerging opportunities. Indicative activities:</p> <ul style="list-style-type: none"> CRM system updated; Preliminary training; Awareness raising; and Networking events (domestic and in target markets).leading to FDI enquiries 	New	All	2, 3, 4

Business told us...	Indicative Activity	Description	New/ Existing/ Improved	Sectors	Delivery Mechanism
Business Growth					
<ul style="list-style-type: none"> Lack of knowledge as to how to use circular economy to deliver enhanced productivity 	<p>Coordinated voice for the Circular Economy</p> <p>Demonstrator of best practice</p>	<ul style="list-style-type: none"> Circular Economy Working Group/Collaborative Network to be set up will at the regional level to bring together both public and private sector stakeholders to oversee the growth of the sector with the vision of developing Tees Valley as the recognised leader in the deployment of the Circular Economy and as a vibrant hub for the growth of circular economy related businesses; and TVCA to become Governmental member of the CE 100 Group in order to gain access to international best practice (Circular Economy Training Toolkit) and the opportunity to engage in collaborative initiatives to advanced circular economy solutions. 	New	Circular Economy	1
	<p>Providing circular economy solutions to large scale public sector procurement projects</p>	<ul style="list-style-type: none"> Liaison with major public/private bodies regarding emerging large scale procurement opportunities and potential for utilising circular economy solutions (including reuse of materials from large scale closures); and Utilise challenge funds to develop innovative circular economy solutions to procurement opportunities identified by the Circular Economy Working Group. The aim should be to facilitate emergent supply chains for large scale procurement opportunities. 	New	Circular Economy	1,4

7.0 Growth Scenarios

The refreshed SEP has a target to deliver 25,000 new jobs over the next decade (2016-26). This section identifies those jobs that are directly attributable to support delivered under the Combined Authority's existing Investment Plan.

The following table identifies potential investment by activity type in the first iteration of the Investment Plan for the period 2016-21 and through use of cost per job and GVA per job metrics, provides an overall assessment of job and GVA impact:

	Investment*	Jobs Impact	GVA Impact
	£m .	Jobs	£m
Business growth ¹	115	4,600	202
R, D & I ¹	59	2,360	104
Education and Skills ²	112	3,000	132
Culture ³	11	367	16
Transport ⁴	115	Nil	
Enabling Infrastructure ⁵	41	1,367	60
Total⁶	453	11,693	515

* Sourced from investment Plan Outline Budget

1. BIS (2016) 'The Impact of Public Support for Innovation on Firm Outcomes suggests a cost of £5,000 per job created, which is well below other estimates of additionality – see What Works Centre for Local Growth (June 2016 ' Business Advice'. £20k has been used as a conservative measure of potential impact, after allowing for 20% overhead costs
2. 30,000 funded interventions, 1:10 conversion rate (Source TVCA)
3. £30k cost per job based Homes and Communities Agency Cost Per Job Guidance (2015)
4. Assume no net impact.
5. £30k cost per job based HCA Cost Per Job Guidance (2015)
6. We have excluded the following cost heading: Project Development, Flexible Delivery and Evaluation, amounting to £11m as do not directly relate to delivery.

The following table provides a wider assessment (including wider multiplier effect on employment) of attributable jobs growth:

	Initial	Direct	Indirect	Induced	Total
Business growth ¹	4,600	1,060	320	740	6,720
R, D & I ¹	2,360	540	170	380	3,450
Education and Skills ²	3,000	690	210	480	4,380
Culture ³	367	80	30	60	537
Enabling Infrastructure ⁵	1,367	310	100	220	1,997
Total⁶	11,693	2,680	830	1,880	17,084

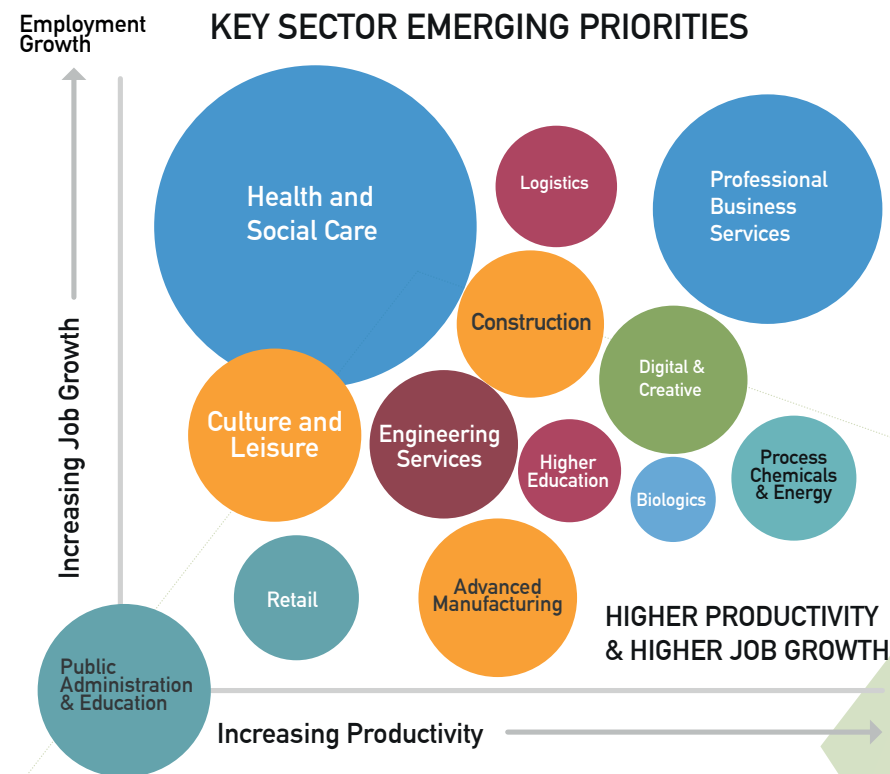
Sectoral Difference: The table below illustrates the significant variance in GVA if there were to be enhanced sectoral prioritisation:

	SEP GVA/ Job	Initial	Direct	Indirect	Induced	Total GVA
Process & Energy	125,000	125,000	35,000	11,300	46,300	217,500
Business & Professional	88,800	88,800	20,aa400	5,300	17,800	132,300
Advanced Manufacturing	90,000	90,000	18,900	4,500	18,900	133,200
Logisitcs	40,000	40,000	9,200	2,800	6,800	58,400
Digital & Creative	40,000	40,000	8,000	2,000	7,600	58,000
Culture & Leisure	32,500	32,500	4,200	1,000	2,900	40,600
Health & Biologics	90,000	90,000	9,000	1,800	10,800	111,600

Given the variance in GVA per type of intervention and by sector, there is an opportunity to maximise impact through prioritisation.

The following figure uses two variables to prioritise activities across key sectors:

- Increasing Job Growth (Jobs Rich); and
- Increasing productivity (Increase in output/GVA)



Four possible growth scenarios have been identified which consider the trade-off between increasing jobs growth and productivity, including:

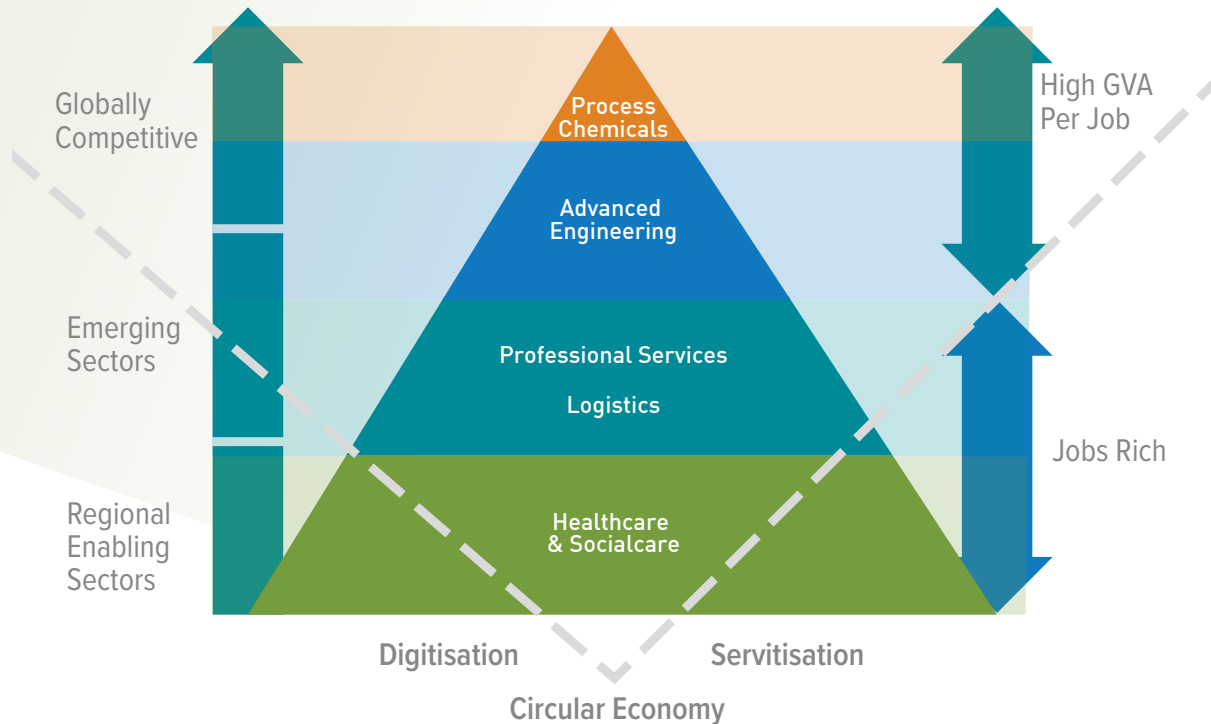
- **Balanced Growth Scenario:** This is the status quo option, with no sectoral prioritisation. Jobs range 12,500 direct jobs;
- **High Jobs Growth/Low GVA Scenario:** This would focus on the provision of entry level jobs mainly within health and social care, culture and leisure, retail, construction and logistics sectors. Indicative activities will primarily relate to skills/employability support and mainly related to larger employers. Principal risks relate to overexposure to cyclical downturns and issue of deadweight of support to larger companies. Jobs Range: 12,000-18,000 direct jobs*;
- **Low Jobs Growth/High GVA Scenario:** This would mainly focus on the provision of high GVA jobs, mainly in emerging sectors: such as Biologics, Advanced Manufacturing, Process, Chemicals & Energy, Digital & Creative and Engineering Services. Indicative activities will relate to supply chain/export support and innovation interventions, principally to SMEs. Principal risks relate to high costs per job and an over-reliance on a small business base. Jobs Range: 6,000-12,000 direct jobs**;
- **Rebalanced Economy Scenario:** This would have targeted interventions at two sets of sectors: Jobs Rich: Principally Health and Social Care & Professional and Business Services, principally utilising skills/employability support interventions and Output growth/rebalancing: aimed at engineering services, process chemicals& energy, biologics and engineering services. Indicative activities will relate to supply chain/export support and innovation interventions principally to SMEs. Jobs Range: 9,000-15,000 direct jobs*** and all do something risks apply.

The Rebalanced Economy Scenario is the preferred option as it addresses the following three criteria:

- Encourages jobs growth;
- Enhances output and addresses the productivity challenge; and
- Encourages sustainability (rebalancing), by further anchoring the region's remaining globally competitive sectors and developing infant industries such as biologics.



The following chart illustrates the rebalanced economy scenario, identifying both the relationship between sectors and whether they are either highly productive or jobs rich:



The following table illustrates the impact on job numbers of the Rebalanced Economy Scenario:

	Status Quo	Rebalanced Economy Scenario	
		Lower Scenario	Upper Scenario
Low Carbon/process, chemical and energy	1,000	750	1,250
Advanced Manufacturing	750	562	937
Other Manufacturing	-2,000	-1,500	-2,500
Construction	1,500	1,125	1,875
Professional and Business Services	3,500	2,625	4,375
Logistics	1,500	1,125	1,875
Digital	1,500	1,125	1,875
Higher Education	500	375	625
Health and Social Care	1,750	1,313	2,188
Services	1,000	750	1,250
Culture and Leisure	1,500	1,125	1,875
Total	12,500	9,375	15,625

It should be noted that the jobs figures quoted in the scenarios are only for new jobs and are entirely additional to the 116,000 projected replacement jobs that it is envisaged will be principally sourced from unemployed residents and existing junior staff.

8.0 Short List of Interventions

Identified Need	Intervention	Status	Timeframe	Total Cost	Public Sector Contribution	Private Sector Contribution	Impact
Need to address emerging employment and skills gaps within companies	Workforce Development Programme	New Programme	5 year programme	£1.125m	£0.56m (Apprentice Levy + ERDF bid)	£0.56m	1,125 jobs
Need to strengthen local clusters through enhanced collaboration (particularly in support of innovation)	Collaborative Networks	New Programme	5 year programme	£2.0m	£1.7m* (TVCA)	£0.3m	5 high potential start ups 100 jobs*
Post BREXIT and post SSI, need to diversify supply chains and export markets	Diversifying Markets	Enhanced Programme	5 year programme	£2.5m	£1.25m (ERDF bid)	£1.25m	500 jobs
Need to strengthen local clusters through the attraction of more inward investment (reshoring activities)	Inward Investment Programme	Pilot Project	1 year pilot	£0.12m	£0.12 m (TVCA development fund)		1 inward investment 50 jobs*
Too few high growth firms, need to focus on potentially scalable companies	Scalable Companies Initiative	New Programme	5 year programme	£0.45m	£0.25 million (Growth Hub bid)	£0.25m	150 jobs*
Need for enhanced connectivity to facilitate roll out of digitisation	Full Fibre Network	New Programme	5 year programme	£15m	£0.15m (TVCA development fund)	£14.85m	20 construction jobs
Need for additional financial support for more speculative/ longer term investments.	Patient Capital Programme	Enhanced Programme	5 year programme	£10m	£10m (ERDF Legacy fund)		1,800 jobs
Need for technical/ specialist retraining for changing market conditions	Developing Centres of Excellence (potential Institute of Technology)	Enhanced Programme	5 year programme	TBC	TBC	TBC	TBC
Total				£31.2m	£14.0m (*£1.97m TVCA)	£17.21m	3,745 jobs (inc 300 high value jobs)



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AGENDA ITEM 9

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

21 DECEMBER 2017

**REPORT OF THE
HEAD OF TRANSPORT**

PORTFOLIO: TRANSPORT

LARGE LOCAL MAJOR SCHEMES FUNDING STRATEGY AND NEXT STEPS

SUMMARY

This report provides an update on the development of Outline Business Cases (OBCs) for the New Tees Crossing and Darlington Northern Link Road funded by Department for Transport's (DfT) Large Local Major Schemes Fund (LLMs). It also outlines a proposed approach for submission of a proposition to DfT that allows continued development of the business cases for the two schemes and their delivery via an alternative source of government funding than the LLM's process.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note progress in developing proposals for a new Tees Crossing and the Darlington Northern Link Road;
- ii. Approve an allocation of up to £1 million in total for the two schemes, as 20% matched funding alongside a proposal to DfT for £4 million from the Large Local Major Scheme budget, to continue further development of both proposals to a position where they could enter a national roads programme;
- iii. Delegate submission of the proposals to the DfT to the Managing Director of the Combined Authority in consultation with the Tees Valley Mayor and the Lead Portfolio Holder for Transport.

WORK TO DATE

1. A significant amount of development work has already been undertaken on these two schemes. For the New Tees Crossing a Strategic Outline Business Case (SOBC) was agreed by the Combined Authority in March 2017. For the new link road to the

north of Darlington a SOBC for a new link road between Junction 59 of the A1(M) and the A66 at Little Burdon was agreed by the Combined Authority in May 2017.

2. Since this time, and using development funding provided through the Large Local Major Schemes Fund, Draft Outline Business Cases (OBCs) have been prepared for each scheme, mindful of the requirements of both DfT's WebTAG scheme guidance and Highways England's Project Control Framework (PCF). Following both sets of guidance was felt to provide the greatest flexibility to ensure delivery of each scheme in the future.
3. In parallel, the Combined Authority is also investigating the case for a complementary route for crossing the River Tees, as an Eastern Crossing connecting industrial sites on the north and south banks of the river. This is a separate business case, unconnected to the immediate propositions to DfT, and progress will be reported to Cabinet in summer 2018.

SCHEME BENEFITS

4. The current Draft OBCs show:
 - a compelling strategic case for each scheme, based around the Department's stated objectives to ease congestion and provide upgrades on important national routes, to unlock economic and job creation opportunities, and to enable the delivery of new housing developments.
 - an economic case for the schemes, showing that they would deliver between them:
 - £861 million of savings to the UK economy;
 - 164,000 improved journeys each day;
 - 4,500 new jobs; and
 - 7,000 new houses.
 - a realistic financial case, based on updated cost estimates for each scheme, verified by a Tier 1 contractor in accord with Highways England best practice.
 - a robust management case, showing how we would continue the strong and collaborative governance model that we have adopted to date to identify, and mitigate, the key risks to scheme delivery.
 - a developing commercial case that has identified a preferred route to delivery for each of the schemes.
5. A Position Statement for each scheme that summarises the key outcomes of the Draft OBC has been prepared. These statements include the identification of a preferred option for each scheme, although at this stage we are not able to completely disregard alternatives options. The intention is that these Position Statements will be provided to the DfT on the 22nd of December subject to Cabinet approval.

CONSIDERATIONS

6. Significant progress has been made on each scheme. The environmental assessment of the impact of both schemes is already well beyond the level that would be required on submission of an OBC through the Large Local Major Schemes Fund. The production of the most recent versions of the financial and commercial

case has highlighted that they are likely to be considered as nationally significant infrastructure projects.

7. Although the two schemes were included within the government's list of Large Local Major Schemes, and on this basis have benefited from development support from government, the Large Local Major Scheme fund is not large enough to accommodate the full costs of schemes of this scale. The most appropriate delivery route for each scheme has therefore been evaluated, given their potential costs. It is recommended that the New Tees Crossing is most appropriate for inclusion in the next Highways England Road Investment Strategy (RIS2) programme. The Darlington Northern Link Road is an ideal candidate for the new Major Roads Network element of the National Roads Fund beyond 2020, and could be delivered along with contributions from other emerging funding sources such as RIS2 and the Housing Infrastructure Fund.
8. With both of these delivery routes, future funding decisions will be taken over the course of 2018, with more firm commitments by early 2019.
9. As part of the commercial case for each scheme, an initial Funding Strategy has been developed, which concludes that the most appropriate option at this stage is to seek further development funding for each scheme in order to maintain critical momentum and provide the greatest possible chance of each scheme being accepted into the preferred funding route in 2018/early 2019. This option has been discussed with DfT.
10. It is therefore proposed that the two schemes are advanced, at this stage, through an application for further development funding from the Large Local Major Schemes Fund, with an appropriate local funding contribution. This proposal recognises, and builds on, the work done to date, particularly the strong and compelling strategic case for each scheme.
11. A costed schedule of additional work required to ensure the proposals are developed enough to enter Highways England's RIS2 process has been developed for completion by the end of 2018. This concentrates principally on bolstering the economic case for the schemes based on our previous feedback from the Department for Transport on transport modelling.
12. In summary, the anticipated total costs for taking this work forward are around £2.5 million for each scheme. To maximise the success of a bid to government, we recommend a local contribution of 20% from the Combined Authority. In total therefore our bid to DfT would amount to up to £4 million, with up to £1 million offered from the Combined Authority. We would also propose to commit a proportion of our local contribution in advance of hearing the outcome of our proposal to DfT, in order to maintain momentum on the programme and avoid a hiatus in project development.
13. The proposed approach recognises the significant amount of work done to date and the importance of the schemes to the Tees Valley's Strategic Economic Plan, but takes a realistic view of the availability of Large Local Major Schemes Funding. It is also in the spirit of our current, and evolving future, Devolution Deal and demonstrates our commitment to contribute to the delivery of national roads investment.

ROUTE OPTIONS

Darlington Northern Link Road

14. More detailed appraisal of the two options has led to the identification of Route A as the preferred option for a new highway link between Junction 59 of the A1(M) and A66/A1150 Little Burdon, to the north of Darlington.

The reasons that Route A is preferable as a basis going forwards include:

- It is marginally cheaper as topography along the route is less variable;
- It provides a more strategic route for through traffic between the A1(M) and A66;
- Route A has fewer sensitive air quality receptors than Route B. Fewer properties will be affected by noise on route A and more properties will benefit, in relation to noise, from Route A, and;
- It does not constrain potential future development as much as Route B

New Tees Crossing

15. More detailed appraisal of the two options has led to the identification of the Tees Viaduct Option as the preferred option for a new strategic road crossing of the River Tees. The scheme will provide the following key improvements:

- More direct relief to the existing Tees Viaduct from existing weaving movements
- It is likely to provide additional reliability benefits, thus contributing to the value for money of the proposal
- Better integration with the planned Portrack Relief Road
- It does not require major reconstruction of Newport Roundabout
- It includes associated eastbound improvements on the A66 between Teesside Park and A19 interchanges
- The proposal reduces land take at the possible redevelopment site at Haverton Hill

FINANCIAL IMPLICATIONS

16. The proposal requires a contribution of up to £1 million from the uncommitted resources identified in the Combined Authority's Investment Plan for Transport.

LEGAL IMPLICATIONS

17. None.

RISK ASSESSMENT

18. At this stage of the scheme development process the projects are categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.
19. There is a risk that our proposal to DfT is not accepted, or is accepted only in part. In these circumstances, we will reassess our funding strategy and consult further with Cabinet and the Transport Committee members.

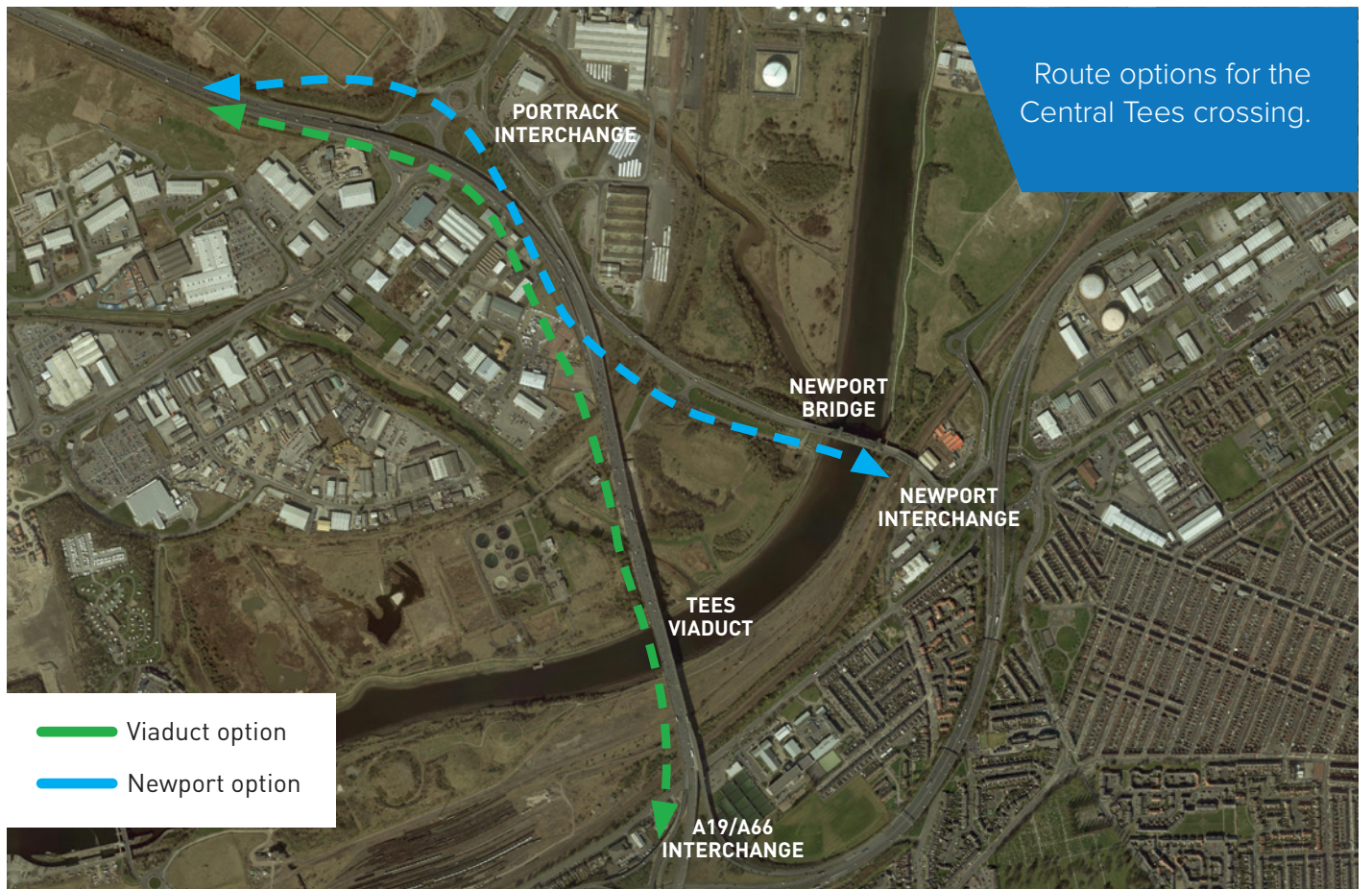
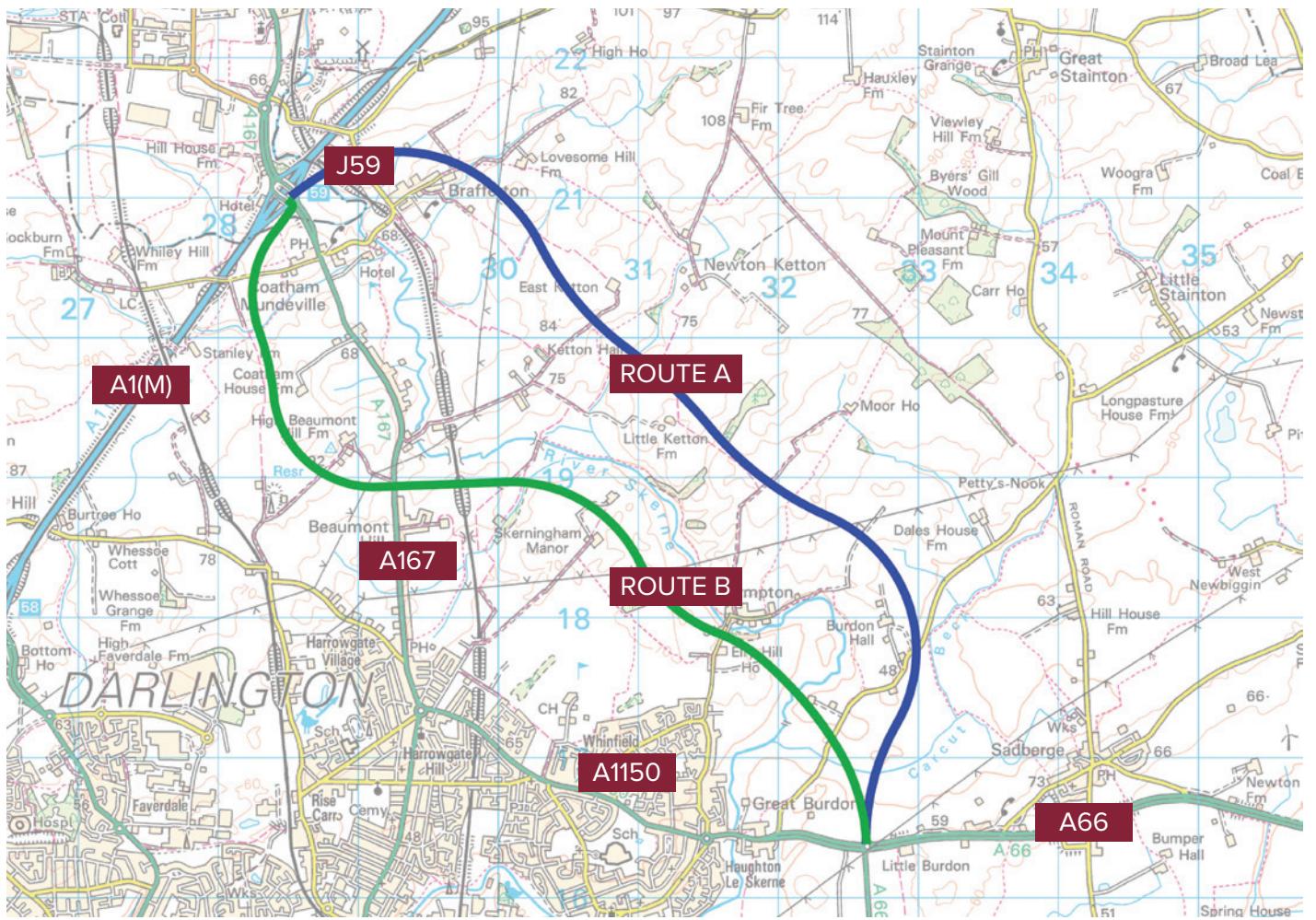
CONSULTATION

20. This approach has been presented and discussed at a workshop of Combined Authority Transport Committee members.
21. A series of public information events has been held, and a consultation questionnaire has been produced and publicised. There has also been engagement with key statutory stakeholders. A summary of the results of the public information events is in draft and will be provided to those who took part, and also hosted on the TVCA website.

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ANNEX ONE



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AGENDA ITEM 10

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

21 DECEMBER 2017

**REPORT OF THE HEAD
OF HOMES AND COMMUNITIES**

PORTFOLIO: HOUSING AND REGENERATION

HOUSING INVESTMENT AGREEMENT

SUMMARY

Following discussions with the Secretary of State, Cabinet agreed in March 2016 to develop a Housing Investment Agreement with government. Since then, proposals for a housing agreement have been developed by working in close partnership with the Homes and Communities Agency (HCA), the constituent local authorities and registered providers. The objective is to draw in additional investment to unlock stalled housing sites, accelerate housing delivery and significantly increase the provision of affordable homes. Agreement in principle has now been reached that will secure the capacity, resources, funding and flexibilities needed to unlock these opportunities.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Endorse the proposed Housing Investment Agreement with the HCA that will provide significant support in the delivery of our housing priorities, with a total commitment of up to £91 million of additional HCA investment over a three year period, ring-fenced to the Tees Valley, to unlock sites, accelerate delivery and significantly increase the supply of good quality affordable homes.
- ii. Consider the local delivery and governance arrangements which will best support implementation of the agreement; including a review of the remit of the Land Commission; and
- iii. Delegate responsibility to the Mayor and Portfolio Lead for Housing and Regeneration to finalise and sign the Investment Agreement on behalf of the Combined Authority and its partners.

DETAIL

1. Tees Valley has an ambitious Strategic Economic Plan to grow the local economy. An important part of this plan is to build new good quality homes and create sustainable communities across the region.
2. Building new homes is a key part of the plans for economic growth. Only by attracting and retaining people to the area, and playing our part in meeting the national housing crisis, will we continue to grow our economy. For this to happen we need to provide a high-quality and diverse range of housing so that communities can flourish. We need to address the issues of undersupply across the housing market and to be ambitious in our plans to accelerate the building of good quality homes that are of the right type and in the right places to achieve our economic goals.

Developing the proposition

3. Plans for housing are embedded within the constituent local authority Local Plans. Working in partnership with local authorities, significant opportunities have been identified across the Tees Valley to unlock stalled housing sites, accelerate housing delivery and significantly increase the provision of affordable homes. This work has focussed on existing sites with planning permissions and sites identified within emerging Local Plans. To support the delivery of these opportunities, and following a meeting with the Secretary of State, Cabinet agreed in March 2016 to seek a Housing Agreement with the HCA.
4. Following a meeting between the Tees Valley Mayor and Chair and Chief Executive of the HCA in June it was agreed to undertake an intensive period of work to develop a joint approach. At that stage, feedback from the HCA was that Tees Valley needed to do more to demonstrate our capacity to deliver. The HCA was unwilling to commit in full to the £100 million programme initially proposed by the Combined Authority, and instead proposed a model where tranches of funding would be allocated, as delivery is demonstrated.
5. Since that time significant work has been undertaken by the Combined Authority, HCA, the constituent Local Authorities and key partners, to develop the joint plan proposals. This has included a detailed assessment of individual housing sites across the Tees Valley, with local authorities and other partners identifying the barriers to delivery, and the scope to deliver more quickly with additional public investment. A further meeting between the Tees Valley Mayor and Chair and Chief Executive of the HCA in October confirmed an agreement in principle.
6. Based on an analysis of all Tees Valley housing sites and the delivery priorities of each Local Authority, including sites with planning permission and sites allocated under local plans, we have identified significant opportunities to unlock sites for delivery. The requirements for infrastructure investment and opportunities for the increased delivery of affordable housing have been identified, both of which will unlock and accelerate home-building in support of our economic growth. The housing agreement aims to support the delivery of these priorities.
7. Although the government's focus is on housing numbers, the proposed Investment Agreement also provides the platform for working with the HCA and key partners to regenerate communities, create jobs, support the SME sector, diversify market capacity, and promote innovation in the way we build homes and attract new sources of investment. It provides the opportunity to address underlying failures in the existing

housing market and create a sustainable and well-functioning housing market for the future.

Key housing outcomes

8. Based on Local Plans we need to build around 2,360 new homes each year to meet our ambitions for economic growth. This equates to over 35,000 new homes in the next 15 years. The key outcomes of the joint approach will aim to:

Provide much needed homes

Addressing historic and current supply shortfalls, the plan will help enable Tees Valley to build the right number of homes, that are the right type and in the right place.

This will allow the economy to grow, provide much needed good quality and aspirational affordable housing, especially for low to middle income working households. It will also provide more people with the opportunity of home ownership, and release pressures on our social housing stock.

Make better use of land

The joint plan aims to tackle the viability and delivery challenges of key housing sites to promote more sustainable urban living and town centre revitalisation; deliver a more balanced approach to the use of land that ensures brownfield and public sector land is brought into use alongside greenfield development; and remove the blight of underutilised land and make Tees Valley a more attractive place to live and work.

Make better use of resources

The joint plan will enable Tees Valley to align HCA housing investment with the Strategic Economic Plan and underpinning Investment Plan.

It provides the platform to ensure that local investment in business growth, research, development, innovation and energy, education, employment and skills, culture, transport, enabling infrastructure and housing all combine to generate the maximum impact in making Tees Valley a successful and thriving place.

Build increased capacity

The joint plan enables Tees Valley to build the right levels of sector capacity for a sustainable and well-functioning housing market. Nurturing and growing SME contractors and developers; attracting new entrants to the Tees Valley housing market; facilitating growth in modern methods of construction and increased off-site manufacture; and investing in people and skills to create jobs.

Attract new investment

It is unlikely that the requirements of the Investment Agreement can be met solely through organisations currently active in the Tees Valley.

The joint plan will act as a platform to give a certainty and confidence that enables Tees Valley to actively attract new investment including new entrants to the Tees Valley market and long-term institutional investment. It will provide a springboard to create an attractive investment proposition for homes and communities, enabling Tees Valley to deepen long-term investment relationships.

Housing agreement: Detail

9. The draft Housing Investment Agreement (Appendix 1) provides additional funding, capacity and flexibilities to finalise and implement a joint action plan. In summary the key points of the agreement are:
 - To agree a joint Tees Valley housing investment and delivery plan to accelerate growth and the building of homes
 - HCA to provide capacity funding support of £250k per annum to implement the plan
 - Establish strengthened governance and programme management to support implementation of the housing investment and delivery plan via a Tees Valley Housing Delivery Board
 - Recognition of a requirement for significant infrastructure support. (The Tees Valley and partner councils have made proposals for £291 million in infrastructure funding to the Housing Investment Fund; although we understand this Fund is very significantly over-subscribed).
 - An additional £25 million per annum HCA affordable homes funding to at least double planned delivery to 1,350 homes and flexibility in the mix of affordable products
 - Establishing a Tees Valley Capital Land Acquisition Fund with an initial £15 million HCA commitment to acquire, assemble and de-risk land
 - £200,000 per year to investigate and develop investment strategies for Estate Regeneration and areas of low occupancy and poor quality stock.
 - Commitment to accelerate the delivery of homes from the baseline to 2,360, as identified through Local Plans.

The agreement in practice

10. Fundamentally, the housing agreement is about supporting the delivery of specific site priorities as identified by Local Authorities. It is Local Authorities who determine housing site allocations through their Local Plans and identify sites that require intervention to enable delivery. This in turn sets Local Authority priorities to support the unlocking and acceleration of sites and provide additional affordable homes.
11. Under current arrangements Local Authorities will then seek to work with agencies and partners to enable delivery. The housing agreement aims to strengthen this approach in securing the delivery of Local Authority priorities. The housing agreement does not aim to set the priorities and is only focused on supporting delivery.
12. The arrangements under the housing agreement are about enhancing current arrangements, using our devolution status to maximise the opportunities of Government funding programmes and strengthen collaborative arrangements in the alignment of resources, capacity and investment. The additionality of the housing agreement includes:

Capacity

Brokering deals to overcome barriers to individual sites and unlock opportunities takes significant time and effort. With capacity and resources increasingly constrained within Local Authorities the housing agreement addresses this by providing additional capacity and resources of £250,000 per annum to support Local Authorities in unlocking opportunities.

Funding affordable homes

Under existing arrangements the delivery of affordable homes is reliant on registered providers identifying opportunities and applying for funding direct to the HCA. The result of this is that the delivery of affordable homes is dependent on registered providers and their appetite to develop, which at present is around £25m to 2022. The housing agreement commits an additional £25m per annum to the Tees Valley in a way that enables Local Authorities to direct resources to specific sites, attract new developers to the area and have a far more direct role in how and where affordable homes funding is delivered. Fundamentally, this housing agreement puts an additional £75m of affordable homes funding under greater direction of Local Authorities.

Land acquisition

Under existing arrangements Local Authorities work direct with the HCA on opportunities for land acquisition to unlock housing delivery. The housing agreement strengthens this by providing an additional £15m committed funding through a Tees Valley Capital Land Acquisition Fund to acquire, assemble and de-risk land.

Infrastructure funding

There are significant requirements across Tees Valley for infrastructure funding to unlock planned housing delivery. For Local Plan periods this is estimated at around £300m. Whilst the housing agreement does not provide this funding (most of which is currently going through the HIF bid process) it does provide for Government recognition that this funding is required to deliver our growth plans.

Subject to the outcome of the HIF process, the housing agreement provides the opportunity to work together and put forward a collective case for this funding as a Tees Valley wide priority.

Housing regeneration and renewal

Across Tees Valley issues of poor quality housing and areas of low demand persist, a consistent theme that partners are highlighting as one that needs addressing. The housing agreement makes a commitment to work collectively to understand how the needs of prioritised regeneration areas can be met. With the national focus on housing growth, the agreement does not provide for the scale of funds as have been available in the past e.g. the HMR Pathfinders. Nevertheless, the housing agreement provides additional investment and capacity to support local regeneration according to local priorities.

In addition, having been approached by the Northern Housing Consortium and local registered providers, it is planned to jointly commission some work in this area. Essentially, a preliminary piece of work that explores:

- The scale of the issue across the Tees Valley;
- The impact that areas of low demand and poor quality is having;
- Best practice solutions from elsewhere; and;
- Options for intervention and investment.

It is intended to commission CRESR (Centre for Regional Economic and Social Research) at Sheffield Hallam University to undertake a preliminary research piece specific to Tees Valley and it is hoped that this work will help build a stronger case to Government for additional investment and support for housing renewal, an area in which opportunities through current funding programmes are limited. It will also help support building a Tees Valley proposition for the £400m estate regeneration fund announced in the November Budget.

Supporting this, the housing agreement will provide £200,000 per year to investigate and develop investment strategies for Estate Regeneration and areas of low occupancy and poor quality stock.

Flexibility

Under current arrangements it is difficult for individual Local Authorities to secure flexibilities of funding against national programmes, which can often be a constraint in fitting such programmes to local needs, priorities and market conditions. Using our devolution status the housing agreement not only provides such flexibilities (e.g. mix of affordable homes, ring-fencing of affordable homes funds, ring-fencing of land acquisition funds, capacity funding, retention and reinvestment of land disposal income) it provides the vehicle to unlock further flexibilities going forward.

Working collaboratively on clear priorities

Successful housing delivery is dependent on a wide range of partners, many of which work across not only the Tees Valley but also nationally. The housing agreement provides the opportunity to enhance effective partnership working by bringing together a clear set of priorities for the whole of the Tees Valley and enabling partners to align their resources and investment in a more effective way. This will also enhance the ability to attract new investment and developers to the area.

Implementation

13. Extensive work has already been undertaken with individual local authorities to identify site priorities which require intervention and support to deliver. The next step will be to translate those priorities in to a joint Action Plan. The joint Action Plan will identify for each site the steps that need to be taken to unlock, accelerate and increase affordable homes provision.
14. The Action Plan will be jointly owned by the Local Authorities, HCA and the Combined Authority and will seek to utilise the opportunities presented through the housing agreement to implement it. To ensure a joined-up approach and monitor the delivery of the joint Action Plan it is proposed that governance arrangements are established.
15. The remit of the governance arrangements will be to support the delivery of the joint Action Plan. It will not determine the priorities within the plan but will seek to ensure that the opportunities of the housing agreement are maximised and escalate to Government where further flexibilities or funding is required to enable delivery.

Fundamentally, the governance arrangements are in place to support overcoming barriers to the delivery of the joint Action Plan.

16. The Land Commission was established under the devolution deal with a remit to unlock brownfield and publicly owned land for development. The terms of reference for the Land Commission were agreed by Cabinet in 2016 and the first meeting held May this year.
17. The Land Commission currently brings together the council executive portfolio members for housing appointed by each Council, is chaired by the Tees Valley Mayor, and is attended by a senior HCA official. It is supported by an officer working group, chaired by the Chief Executive of Stockton Council and supported by the Combined Authority's Head of Homes and Communities. Rather than establish further governance arrangements for the housing agreement and joint Action Plan it is proposed that Cabinet review the current terms of reference of the Land Commission and its officer led working group with a report back to Cabinet in the new year.

FINANCIAL IMPLICATIONS

18. This is not devolution to the single pot, and the funding will remain with HCA, being drawn down by partners on the basis of proposals put forward under the Investment Agreement. The objective is to draw in additional investment and the joint approach aims to align this investment potential with our Strategic Economic Plan and underpinning Investment Plan.

LEGAL IMPLICATIONS

19. None.

RISK ASSESSMENT

20. Risk is identified as medium to high on delivery, given the challenges of securing a strong pipeline of deliverable proposals for housing growth. If a credible programme is not delivered, the risk is that we fail to draw down the available resources. This risk has been mitigated through the assessment of housing sites conducted by partners, and will be overseen by proposed strengthening of Tees Valley governance arrangements.

CONSULTATION

21. The approach outlined in this report has been prepared collaboratively through the Combined Authority working closely with the HCA, registered providers and constituent local authorities.

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PROSPECTIVE HOUSING DEAL AND INVESTMENT PLAN

TEES VALLEY COMBINED AUTHORITY AREA

AND

HOMES ENGLAND

1. OUR JOINT COMMITMENT

- 1.1 The Tees Valley Combined Authority (TVCA) and Homes England (the Partners) are committed to work together to drive an unprecedented acceleration in housing delivery to achieve Tees Valley's economic and housing growth ambitions.

2. OBJECTIVES

- 2.2 To bring together the **collective strength of our various funding and investment strands** within the TVCA area.
- 2.3 **Maximise Partnership working** between the TVCA, Homes England, Registered Providers (RPs), Local Authorities (LAs) and Other Government Departments (OGDs) **to unlock major sites for residential development.**
- 2.4 Collectively to become much **more proactive, targeted and interventionist** to influence the wider housing market, aligned to the Tees Valley Land Commission objectives. This can include land acquisitions, including targeted Other Government Department (OGD) land, use of loans and equity, creating more momentum and certainty in the Shared Ownership and Affordable Housing programme (SOAHP), and introducing new players to the market.
- 2.5 Tees Valley to play its part in helping Government and Homes England to increase the national supply of new homes to 250,000 per year by 2021. The Partners will do this by delivering **7,000 new homes, including 1,875 affordable units, by 2021 with this to be underpinned by at least £30m per year combined investment.**

3. HEADS OF AGREEMENT

Growth Target

- 3.1 **A 30% annual increase and acceleration of housing delivery** from the 2015/16 base of 1,800 p.a. to a target of 2,360 p.a (as the identified requirement in emerging Local Plans). This will deliver over 7,000 new homes by 2021; an additional 1,650 homes over that period across the five local authorities that make up TVCA.

Effective planning service

- 3.2 Promote a **strategic, joined up and consistent planning approach** to facilitate and speed up planning decisions across the Tees Valley demonstrating housing growth to underpin the economic ambitions of the area.

- 3.3 This will include a commitment of Partners to work together to **develop a clear, transparent and joint approach to planning and investment**, including a consistent approach to S106, CIL, viability assessments, etc.
- 3.4 Commitment of Partners to **pro-actively use their existing powers**, including CPO powers, Development Orders and any necessary new delivery or special purpose vehicles etc, where needed, to help provide infrastructure, reduce planning risk and unlock sites.

Pipeline of opportunities

- 3.5 TVCA to maintain a clear **pipeline of all opportunities** for residential development across the whole of the Tees Valley in the form of a Land Disposal Plan overseen by the Land Commission. Partners will work collectively to keep up to date a **categorisation of all sites** which shows clearly those with planning permission for residential development, or capable of achieving residential consent, and those with barriers to being brought forward with a prioritisation of the actions and investment needed to unlock each site.
- 3.6 **Identification of Growth Areas and Priority sites** that provide confidence to initial stages of delivering the ambitious long-term target, with an investment plan to unlock these sites, drawing on local and national public funding plus private sector investment.
- 3.7 **Maximising the use of public land** across the Tees valley. Where appropriate, Partners to take a long-term 'ownership' of strategic development/growth sites in order to capture land value uplift and ensure delivery.

Affordable homes

- 3.8 **TVCA to commit to pro-active engagement with RPs to deliver a range of affordable homes**, including maximisation of delivery in 2017/18, consideration of use of public land to promote more affordable homes, buying further land to increase the number of affordable homes, maximising the contribution housing developers make to new affordable homes and understanding where effective planning decisions support RP's own delivery targets. This will underpin a **significant increase in affordable homes completed each year under SOAHP from around 310 homes currently (17% of all homes built in the Tees Valley each year) to circa 620 homes.**
- 3.9 Encourage **diversification within the RP sector**, to include the introduction of new affordable housing providers in the Tees Valley.

Brownfield land and regeneration

- 3.10 The Land Commission to identify and have **strategic oversight of all brownfield land** in the Tees Valley. This will include a review of all surplus Government land and oversight of the One Public Estate (OPE) and OGD programmes in the area.
- 3.11 The partners to work collectively to understand how the needs of prioritised regeneration areas can be met e.g. Estate Regeneration, and actions to **diversify the housing market** to, inter alia, help those on lower incomes, tackle issues of

long term empty homes and seek improvements to poor quality Private Rented Sector (PRS) stock.

Quality and innovation

- 3.12 **A commitment to embrace place-making, innovation and MMC/OSM** in order to deliver quality housing at volume and pace while still creating sustainable and adaptable homes for the present and future.

Governance

- 3.13 A Commitment to **establish clear governance and delivery arrangements in the form of a new Housing Delivery Board**, as a sub-group of the Land Commission, initially chaired by the Tees Valley Mayor to ensure delivery of this Agreement. The Land Commission will also have a governance role to hold all parties to account for delivery.

The over-arching intention is this agreement should be the basis for an **open and engaging relationship with Government** to enable discussion to focus on the actions, mechanisms and investment required to release land and bring identified sites forward for development.

4. THE ASK OF GOVERNMENT/HOMES ENGLAND

Infrastructure

- 4.1 Government and Homes England to **recognise the strategic importance of the Tees Valley priority ask set out in the Housing Infrastructure Fund (HIF)** of £291m, which will unlock circa **29,600 additional housing capacity**, broken down as follows:

Forward funding bid of **£249m for 20,570** new units.

Marginal viability bids of **£42m for 9,024** new units.

- 4.2 TVCA will, in return, commit to **aligning its investment** to housing infrastructure where appropriate, **including the alignment local transport funding** to support developments.

Affordable Homes

- 4.3 Homes England to work with TVCA and registered providers to **double the existing SOAHP** indicative allocation for the Tees Valley from **£25m to £50m (2018-2022)**;

- 4.4 To help achieve his, Homes England to provide **flexibility in the mix of affordable products** to allow partners to respond to the diverse markets of the

Tees Valley, with the CA to maintain an overview of the mix to support government priorities;

- 4.5 Furthermore, Homes England to provide **flexibility in the use of RCGF** to allow partners to recycle within Tees Valley, and across providers.

Targeted Land Acquisitions

- 4.6 To establish a **Tees Valley Capital Land Acquisition Fund (to 2020/21) of an additional £5m per annum** that will align with TVCA/LEP investment, and seek, where appropriate, prioritisation of Homes England funding to acquire, assembly and de-risk land to accelerate development;
- 4.7 The TVCA capital Land Acquisition Fund to **retain and reinvest added value income generated from site disposals within the Tees Valley**, to help deliver this plan;
- 4.8 The strategy to provide for **Partners to take a long-term 'ownership' of strategic development/growth sites** to capture land value uplift and give a greater certainty to delivery. This will include the Land Commission and Homes England agreeing disposal strategies for Homes England land to help achieve alignment with TVCA housing and economic ambitions.

Building Capacity

- 4.9 Support from the skills and capacity of Homes England, together with resource funding comprised:
- 4.10 £250,000 pa (2017/18-2020/21) funding to **create a Capacity Fund** for a team to focus on the assembly, de-risking and promotion of priority sites;
- 4.11 £200,000 per year to investigate and develop investment strategies for **Estate Regeneration** and areas of low occupancy and poor quality stock.

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AGENDA ITEM 11

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

21 DECEMBER 2017

REPORT OF THE MANAGING DIRECTOR

GOVERNANCE AND APPOINTMENTS

SUMMARY

This report sets out a number of changes to various Committee's and Boards of the Combined Authority for consideration by Cabinet.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approve the appointments at Appendix 1;
- ii. Note the recruitment processes for the Audit & Governance Committee and the Local Enterprise Partnership Board.

DETAIL

Overview and Scrutiny Committee

1. Councillor James and Councillor Cook (Hartlepool Borough Council), have recently resigned from the Combined Authority Overview & Scrutiny Committee. Hartlepool Council is therefore in the process of seeking nominations for their replacements. These nominations will be confirmed at the Hartlepool Council meeting on 14th December, and therefore the names will be updated verbally at the Combined Authority Cabinet meeting.

Audit and Governance Committee

2. Colin Fyfe, Independent Member (financial matters) of the Audit & Governance Committee has recently resigned from his position to take up the position of Chair of the Audit & Risk Committee for the South Tees Development Corporation. The Combined Authority will therefore be going out to advertise for a replacement. A

nomination will be brought to a future Cabinet meeting, following the recruitment process.

Local Enterprise Partnership Board (LEP)

3. An open recruitment process is currently underway on the Combined Authority's website to recruit further LEP Board members. Alistair Hudson, Director of mima, will be stepping down from the LEP Board from the 9th February, to take up his new position as Director of Manchester Art Gallery and the Whitworth. We therefore want to seek an appropriate replacement from the culture/tourism/leisure sector.
4. In addition, it is an established principle nationally that LEP Boards should have an identified member to champion and represent the SME community. This role was undertaken by Ian Kinnery, up until the point he stepped down earlier this year, and therefore we will be seeking to fill this role.
5. An initial meeting of the LEP Board Recruitment Panel (LEP Chair, Tees Valley Mayor, Mayor of Middlesbrough) will take place in January to review applications. Nominations will be brought to a future Cabinet meeting, following completion of the recruitment process.

Culture and Tourism Partnership Board

6. Due to changes on Redcar and Cleveland Council's Cabinet, Councillor Carl Quartermain replaces Councillor Dale Quigley on the Culture and Tourism Thematic Partnership Board for the Combined Authority.

FINANCIAL IMPLICATIONS

7. There are no financial implications in relation to this report

LEGAL IMPLICATIONS

8. There are no legal implications in relation to this report

RISK ASSESSMENT

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

CONSULTATION

10. Consultation on nominations for appointments has been undertaken in an appropriate way with Local Authority governance teams and through the appropriate Committees. The recruitment process for Independent and LEP Board members is undertaken on an open basis via the Combined Authority's website.

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Appendix 1

Overview & Scrutiny Committee	Member TBC*	Hartlepool Council	Labour
	Member TBC*	Hartlepool Council	Labour

**to be confirmed verbally at the Cabinet meeting, subject to Hartlepool's Council meeting on 14th December.*

Culture & Tourism Partnership Board	Councillor Carl Quartermain	Redcar & Cleveland Borough Council	Labour
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Agenda Item 13

FOR INFORMATION

Decisions made under delegated arrangements:

Decision	Amount	Date
Project Commitments*		
Port Clarence Logistics Contribution to access road on the site to assist with growth of all businesses and also dredging of the port to allow for deeper vessels.	£0.3 million	5.10.17
Darlington Borough Council (Morton Palms) Advance for car park at Morton Palms business park as part of Salters Lane/Ingenium Parc development to improve the overall area. This project was incorporated within the wider Salters Lane/Ingenium Parc project and therefore this decision was superseded by the Cabinet decision on 23 rd November 2017.	£0.3 million	24.10.17
Hartlepool Borough Council (Innovation Skills Quarter) A loan to advance urgent actions as part of the overall Innovation and Skills Quarter project.	£0.3 million	13.12.17
Development Fund**		
Tees Valley Combined Authority (Local Full Fibre Network Challenge) Development of the business case for the Local Full Fibre Network Challenge Fund.	£0.07 million	6.12.17

*Project Commitments delegated decisions are taken by the Tees Valley Mayor, in consultation with the Portfolio Holder, as agreed at the Cabinet meeting on 27th July 2017 (minute number TVCA 25/17)

**Development Fund delegated decisions are taken by the Managing Director, in consultation with the Tees Valley Mayor, as detailed in the Combined Authority Constitution (delegation reference - HPS8)