

## **AGENDA ITEM 5**

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

**28 MARCH 2018**

### **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**

##### **South Tees Development Corporation**

1. Consultation on the Site Masterplan is now complete and the statutory planning document has been endorsed. Cabinet members have been consulted on proposals to resolve the charges on the SSI site held by three Thai Banks, and discussions continue to secure a satisfactory resolution. Discussions with government officials are also underway to develop a joint proposal to Cabinet and Ministers for greater local ownership and responsibility for the STDC site, provided that any new risks and liabilities for the Combined Authority are appropriately funded and managed. The STDC continue to receive substantial interest in the site, with over 90 individual business enquiries. Further reports will be made to the STDC Board over the next few months, including on matters which will require a referral to Cabinet for ratification.

##### **Financial Powers**

2. Following agreement by the Cabinet, all five councils have now endorsed the proposal for the Combined Authority to receive borrowing powers. These powers are critical to the delivery of our Investment Plan, and allow the Combined Authority to take a long-term view and support transformational projects which deliver a local return. The proposals are now progressing through Parliament. In anticipation of

approval, our Investment Plan already includes a number of proposals which utilise these new powers, and therefore expand the opportunity for local investment.

3. The government also plans to bring forward new secondary legislation to enable Combined Authorities to levy a supplement on business rates. The power is already available to top tier councils, and is subject to considerable limitations. Applying the levy would require approval from the business community in a referendum, on the back of a specific investment proposal agreed unanimously by Cabinet. Businesses with low hereditaments are exempt, and authorities can also specify a higher threshold to limit the levy to the highest business rate payers. The levy power has not been used by any authority, and there are no plans for either the Combined Authority or our constituent councils to make use of this power. On this basis, the Mayor and Cabinet have agreed not to seek approval for this power from our constituent councils, and not to seek to apply the legislation to the Combined Authority.

#### **Darlington 2025**

4. A joint project board is being established between the Combined Authority, Darlington Council and Network Rail, to take forward the proposal for substantial investment in Darlington Station, supporting enhanced capacity on the Tees Valley rail network, and accommodating new Northern Powerhouse Rail and HS2 services. The next stage of work is to bring the proposition to GRIP3 standard: the level of investment business case required by DfT to unlock national funding. We aim to deliver this during 2018, allowing a decision to be made on the basis of a strong business case, for prioritisation as part of the next Rail Control Period. Given the priority of this project for the Tees Valley, we have expressed a commitment to contribute to the £3 million cost of the GRIP3 process, and to seek a contribution from DfT. A comprehensive report on progress will be brought to the next Cabinet meeting.

#### **Durham Tees Valley Airport**

5. The Cabinet held a Special Cabinet Meeting on 22<sup>nd</sup> February, and agreed the basis on which the Combined Authority's work in relation to the airport should progress. Work continues to establish a proposal for the purchase of a stake in the airport, and future reports will be made to Cabinet as these discussions develop, taking into account the need for a robust financial assessment. Work is also underway on a mechanism for supporting new routes, reflecting Cabinet's views on how such support should be led by the Combined Authority, and consistent with state aid restrictions. The Mayor and Cabinet Portfolio lead for Transport are considering proposals to establish such a mechanism.

#### **Housing Investment**

6. Following outline agreement with Homes England, the Combined Authority is convening a delivery plan to secure up to £100 million in housing investment through a multi-year investment programme. The work with partners has so far identified around 80 sites across the Tees Valley, identified in local plans, but where there are

capacity or financial gaps which hold back the delivery of new homes. Further work will be undertaken with partners, using additional development support, to bring forward investable propositions for consideration jointly with Homes England. A more extensive Housing Deal has now been concluded with the West Midlands and West of England Combined Authorities, and we will continue to explore with government the scope for additional investment and funding flexibilities for the Tees Valley. We are also taking forward discussions with Homes England and Highways England to deliver proposals brought forward by our constituent authorities to the Housing Infrastructure Fund, with the Hartlepool Western Growth Corridor identified as a particular priority.

### **National Horizons Centre**

7. Construction has been formally launched on the National Horizons Centre, which will drive growth in the bioscience industries, following a £17.5million investment from the Combined Authority's devolved funding. The facility, being built by Teesside University at Central Park in Darlington, will concentrate on developing the technical, innovation and management skills and knowledge needed for the sector to continue to grow and generate jobs and wealth in Tees Valley and the UK.

### **Capacity Funding**

8. The government has made available an additional £12 million for capacity support for Mayors and Mayoral Combined Authorities, and has now confirmed that the Tees Valley has been assigned £1 million a year for the two years 2018-2020. The Combined Authority budget, as approved by Cabinet, already identifies an increase in the core costs of the Combined Authority to meet anticipated capacity requirements, and at this stage we are not bringing forward further proposals to Cabinet for an overall increase in the core budget. The additional funding from MHCLG is nevertheless helpful in ensuring the Combined Authority can meet its increased capacity requirements without drawing on scarce revenue funding otherwise assigned to other priorities. In addition, we have made proposals to government for the capacity required to deliver the devolution of the £30 million Adult Education budget from 2019, and have now been allocated up to £500k by DfE for this purpose.

### **Northern LEP Coordination**

9. The Chairs of the 11 Northern LEPs met the Minister for the Northern Powerhouse, Jake Berry, to consider the scope for greater collaboration on economic strategy across the North of England. The Chairs are considering proposals for coordination in the fields of energy, inward investment, innovation and technology. We have expressed support for this approach, conditional on the principle of subsidiarity and added-value, and subject to effective and fair governance being put in place. MHCLG has identified £500k of additional funding to support this approach.

## **Education, Employment and Skills**

10. The Education, Employment and Skills strategy, “Inspiring our Future” has now been approved and will be launched on the 23<sup>rd</sup> April at a special meeting of the Education, Employment and Skills Board. The launch will be immediately followed by a workshop to agree a delivery plan for the Tees valley Careers initiative. In addition there will be an event on 9<sup>th</sup> May to discuss with schools and key stakeholders the launch of the Education, Innovation and Collaboration Fund.
11. The Department of Education recently launched a competitive opportunity for the development of Institute of Technologies that will deliver skills in technical sectors from level 3 upwards with a key aim to progress learners to degree level technical qualifications. A single application was submitted led by Hartlepool College, Teesside University and included two key employers as required, these being JDR Cables and EDF Energy. A decision on the application will be made in May.
12. The preparation for devolution of the Adult Education Budget continues at pace, with several Department of Education key deadlines achieved. An indicative budget of £30.5m has been received. The key milestones to be achieved in the period to June include satisfying the Department regarding the set Readiness Conditions, preparing for laying the Parliamentary Order and producing a Skills Plan for Tees Valley. A cabinet report seeking approval of the Order will be brought forward in May, with approval also required by the five councils.

## **FINANCIAL IMPLICATIONS**

14. There are no financial implications to this report.

## **LEGAL IMPLICATIONS**

15. There are no legal implications to this report.

## **RISK ASSESSMENT**

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

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