

AGENDA ITEM 7

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

28 MARCH 2018

**REPORT OF THE
INVESTMENT DIRECTOR**

PORTFOLIO: INVESTMENT

INVESTMENT PLAN DELIVERY REPORT

SUMMARY

This paper sets out progress made to date on delivering the Tees Valley Combined Authority Investment Plan which was published in April 2017. It summarises the overall investment programme (2016/17-2020/21) and provides updates since December 2017 when the last delivery report was presented to Cabinet.

The published forward plan sets out when projects are currently expected to come forward to Cabinet for an investment decision, although the precise timing is subject to review and depends on progress in establishing business cases.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the current position of the investment programme and delivery updates.

DETAIL

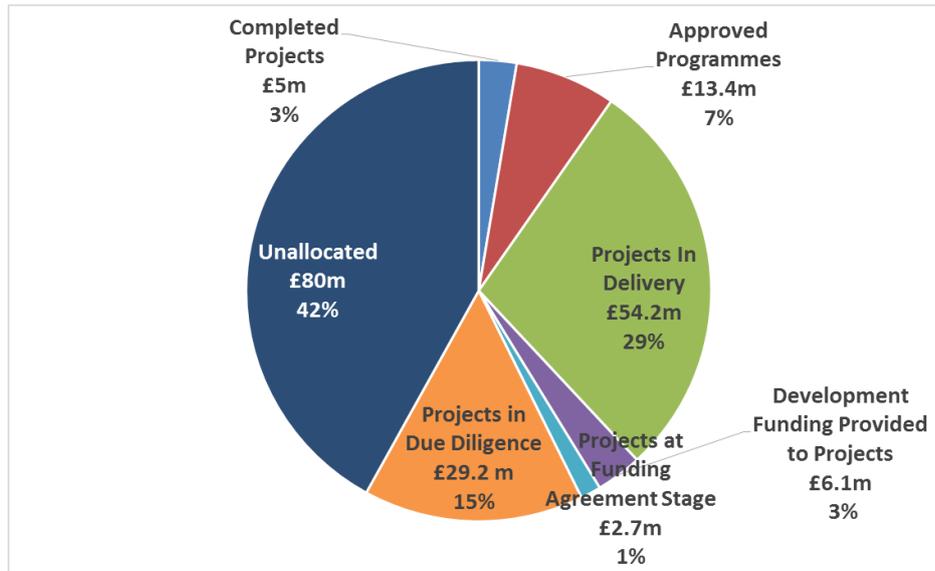
CURRENT SPEND POSITION & FORECAST

1. **Table 1 below summarises the current position of the investment programme, excluding European Funding.** This will be reported regularly to Cabinet and changes will be highlighted.

	£ million
Investment Plan Available Funds	303
Total Commitments	223
Total Pipeline	207
Investment Plan Balance	-127

2. **Chart 1 provides a breakdown of the investment programme (excluding specific grant expenditure)** at each stage of the assurance process through to

delivery and completion. This will be updated regularly and progress reported by exception.



3. **Table 2 below shows the current position on European Funding.** A separate paper will be presented to Cabinet in May setting out the action plan to deliver these. All Combined Authority pipeline projects have been considered for eligibility to access these funds and applications progressed where suitable.

	£M	£M	£M	£M	£M
	ALLOCATION	CONTRACTED	PIPELINE	AVAILABLE	AVAILABLE MINUS 6% PERFORMANCE RESERVE
ERDF	96.2	37.6	26.9	31.8	25.8
ESF/YE I	74.4	35.4	0	38.9	36.4
EAFRD	1.1	0.1	0.6	0.4	0.4
TOTAL	171.7	73.1	27.4	71.1	62.6

4. **Table 3 below shows the forecasted expenditure for 2017/18.**

	£ million
Total Spend to Date	14
Forecast for Q4	9
Total Spend Forecast 2017/18*	23

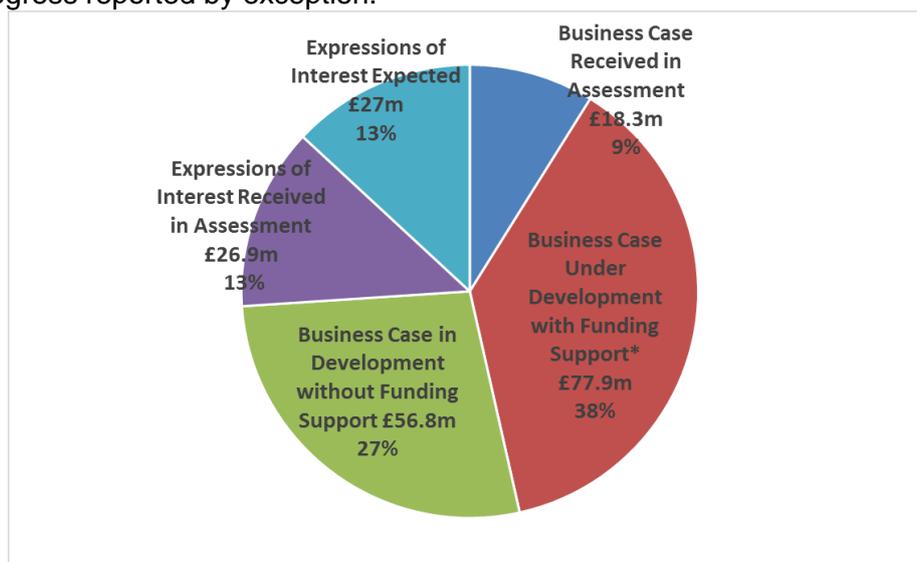
*excluding specific grants

5. Government is monitoring spend closely and efforts have been made to accelerate delivery of the investment programme this year. The programme is on track to spend £23 million in 2017/18.
6. The Combined Authority is also accountable for £112.9 million of specific ring fenced grants to projects in 2017/18, this includes £75 million of transport schemes such as DfT Access Fund, Local Transport Plan and National Productivity Investment Fund for transport, £11.5 million of SSI Task Force Capital Funding and other smaller projects such as One Public Estate, Great Places and City Deal funding to support

Carbon Capture and Storage development. The transport projects are delivered by the Local Authorities. Spend targets will be achieved this year.

PIPELINE

7. The current pipeline stands at £207 million. If Cabinet chooses to invest in all current pipeline projects this would lead to a shortfall of £127 million (42%) up to 2021, assuming that we invest at the levels required without borrowing.
8. **Chart 2 provides a breakdown of the pipeline** at each stage of the assurance process leading through to a Cabinet decision. This will be updated regularly and progress reported by exception.



9. Assuming that projects come forward in the timescales anticipated, we expect to have commitments in excess of our cash resources before the end of 2018/19 and consequently we are undertaking an exercise to assess the following:-
 - Alternative funding sources which may be available for pipeline projects
 - Opportunities to apply borrowing powers, where the conditions of the prudential code can be met;
 - Historical and future projects for which a borrowing case can now be made;
 - The timescale for returns from investments;
 - The timescale for decision making and delivery later in the programme, when other funds such as the UK Shared Prosperity Fund may be available (following a Spending Review expected in 2019); and
 - The level of over commitment to be accepted for the programme.

APPROVALS SINCE LAST REPORT

10. The following projects have recently been approved into the investment programme and are making good progress.

11. Middlesbrough Council, Teesside Advanced Manufacturing Park – Enterprise Zone Remediation and Development

TVCA Investment	£7.65 million	Total Project Cost	£22.46 million
Return	From Business Rates Potential for TVCA Borrowing		
Update	Site investigations are underway to determine the level of contamination on site.		

Start Date on Site	May 2018
Completion Date	Practical Completion August 2019 Site Open November 2019

12. Darlington Council, Feetham's Grade A Office Accommodation

TVCA Investment	£3.23 million	Total Project Cost	£8.5 million
Return	Shared risk and reward from rental income Potential for TVCA Borrowing		
Update	Awaiting an ERDF decision which is critical to the project delivery.		
Start Date on Site	September 2018		
Completion Date	September 2019		

13. Darlington Council, Salters Lane/Ingenium Park Infrastructure

TVCA Investment	£3.9 million	Total Project Cost	£5 million
Return	£2.3 million LGF grant £1.6 million shared risk and reward through sale of development plots Potential for TVCA borrowing		
Update	Car park at Morton Palms is complete, will open April 2018. Utility diversions underway and highways work will start in April. Spine Road will begin in October 2018. Salters Lane work will begin in August 2019.		
Start Date on Site	October 2017		
Completion Date	October 2019		

14. Redcar & Cleveland Council, Kirkleatham Catering Academy, Walled Garden and Infrastructure

TVCA Investment	£6.3m	Total Project Cost	£8.3m
Return	None		
Update	RCBC is working closely with the design team, RIBA Stage 4 technical report completed for the catering academy and walled garden. The additional infrastructure work is at an earlier stage and documentation is being prepared for tender in the next month. Meetings currently taking place to agree the programme with the contractor. Updated Business Case currently with TVCA and undergoing due diligence. Funding Agreement will need to be re-issued.		
Start Date on Site	March 2018		
Completion Date	March 2019		

15. The following projects have been approved through delegated decisions since the last report. CF = Committed Investment Funds and DF = Development Fund:-

Reference	Project	Amount	Date
CF04-2017	Hartlepool Innovation Skills Quarter Advance for Acquisition	£300,000	12/12/17
Summary			
Advance release of funds to support an urgent acquisition as part of the Innovation Skills Quarter development in Hartlepool, matched with £140,000 from HBC.			

Reference	Project	Amount	Date
CF05-2017	Lupine Films Ltd – Two Wolves	£80,000	12/12/17
Summary			
Exceptional opportunity within the culture programme. Grant support to develop pilot scenes using Tees Valley locations to promote the area.			
CF06-2017	Hartlepool Centre of Excellence for Technical Training for the Creative Industries	£655,660	15/12/17
Summary			
The project will bring the mothballed facility, currently known as the Northern Lights Academy (NLA) in Hartlepool, back into use. The centre was previously funded through the 'MyPlace' programme and is a £4.5million facility. Its core focus being the provision of technical education and learning pathways with specific emphasis on creative industries. Capital and revenue grant to support the first three years of operation with a clear exit plan. Total project cost £1,089,269			
CF07-2017	TWI - Nuclear Validation Centre	£500,000	21/12/17
Summary			
This project is linked to the existing TWI Validation Centre on TAMP and the pipeline project for a Nuclear Validation Centre on the same site. It will see Non Destructive Testing (NDT) research operations from the TWI Cambridge site be brought to Tees Valley. This is Phase 1 of the pipeline project for which TWI is currently seeking to secure ERDF.			
CF02-2018	Cool Running (NE) Ltd - Snow Centre	£250,000	01/02/18
Summary			
Part repayable grant, part commercial loan to support the final feasibility and design for the proposed Snow Centre at Middlehaven.			
DF02-2018	Concept Masterplan for Marshalling Yards	£190,000	07/03/18
Summary			
Whilst Stockton and Middlesbrough Councils have historically sought to develop this area of land, there has been no active project development on the site in the last decade. This piece of work will set out the opportunities and vision, concept masterplan options and an integrated master plan and delivery plan.			
Total		£1,975,660	

DELIVERY UPDATES (BY EXCEPTION)

16. Middlesbrough Council - Middlehaven Dock Bridge and Link Road

TVCA Investment	£3.9 million	Total Project Cost	£10 million
Start Date	July 2017		
Update	<p>Just over half of the construction programme is now complete. Key achievements to date include:</p> <ul style="list-style-type: none"> • South abutment foundation piles installed • Installation of central pier pilecap units • Major reconfiguration of the southern approach (Spepherson Way) and construction of the new link road on the north side of the dock <p>Over the next few months a further 34 precast concrete units will be lifted into place and the bridge will really begin to take shape. The new road access will further open up around 25 hectares of strategically important mixed-use</p>		

	commercial and residential development land on the wider Middlehaven site, while also helping to ease congestion on the A66 trunk route.
Completion Date	Summer 2018

17. Teesside University – National Horizons Centre, Central Park

TVCA Investment	£17.5 million	Total Project Cost	£22 million
Start Date	February 2018		
Update	<p>Wates were formally appointed as the contractors for the National Horizons Centre. Construction began in February, marked by a ground-breaking ceremony by the Minister for the Northern Powerhouse and Local Growth, Jake Berry. Procurement planning for specialist equipment is under way.</p> <p>Delivery planning under way includes preparations to set up an Industry Board, development of specialist CPD programmes and Laboratory scientist degree apprenticeships, and a new university partnership to bring together complementary capabilities and expertise to create a vibrant bio-economy ecosystem. Recruitment of the NHC Director is due to take place in time for Summer.</p>		
Completion Date	March 2019		

18. Hartlepool Council - Hartlepool Innovation Skills Quarter Workspace and Public Realm

TVCA Investment	£5.1 million	Total Project Cost	£8.1 million
Start Date	October 2017		
Update	Public realm work, workspace renovation and extension of Grade 2 listed buildings on Whitby Street started in October 2017. Work on Church Square began in early March. The weather has caused some delays but the programme is still on track.		
Completion Date	Workspace to open in September 2018 Public realm works to be complete in Autumn 2018		

19. Education, Employment and Skills Inspiring our Future Programme

The Inspiring our Future Strategy was approved by Cabinet in February with the following programme breakdown:-

Priority	£m
Supporting education innovation and collaboration	2
Developing a skills system for business growth	2
Addressing long term unemployment (15-18 programme & work experience)	3.5
Creating a TV Careers & Enterprise Initiative	3
Business challenge and workforce planning	1.5
Total	12

ASSURANCE FRAMEWORK

20. All investment decisions must be made in line with the Assurance Framework agreed with Government as part of our Devolution Deal. This includes an assessment of business cases using Green Book Principles and the agreed assessment framework which informs recommendations made to the Cabinet.
21. Government conducted a number of 'deep dives' in March as to check the Assurance Framework is being applied correctly. This includes governance, accountability and decision making in terms of value for money and transparency. A Tees Valley audit was not undertaken in this round but may be in the future.
22. The Assurance Framework is currently being reviewed and TVCA awaits guidance from Government which is expected in Spring.

FINANCIAL IMPLICATIONS

23. No financial implications at this time.

LEGAL IMPLICATIONS

24. The Assurance Framework must be adhered to at all times. This was agreed with Government through the Devolution deal and if not followed can pose a risk to the investment programme and securing future funding.

RISK ASSESSMENT

25. This Investment Plan Delivery Report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

26. The review of the Investment Plan has been subject to consultation alongside the TVCA Budget.

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