

AGENDA ITEM 9

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

1 JUNE 2018

REPORT OF INVESTMENT DIRECTOR

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 provides:

- General updates since the last report on the spend position, forecast and recent approvals;
- Annex 1 provides a list of current commitments since the last report; and
- Please note all information was correct at the end April 2018.

RECOMMENDATIONS

Note the current position of the investment programme and project updates.

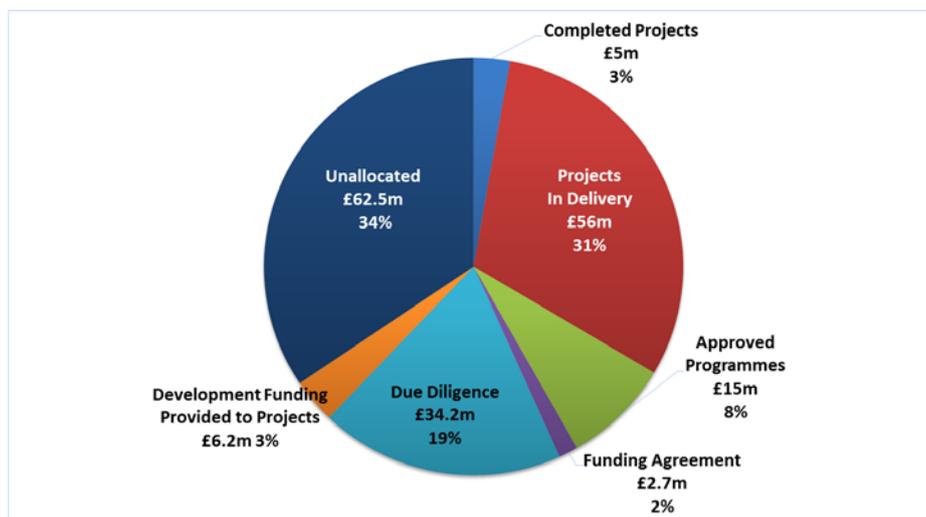
DETAIL

CURRENT SPEND POSITION & FORECAST

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

	£ million
Investment Plan Available Funds	305
Total Commitments	245
Total Pipeline	205
Investment Plan Balance	-145

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 June setting out the action plan to deliver these. All TVCA 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	37.3	31	27.7	21.9
ESF	74.4	35.4	0	38.9	35
EAFRD	1.1	0.3	0.6	0.3	0.3
TOTAL	171.7	73	31.6	66.9	57.2

4. **Table 3 below shows the spend position in 2017/18 and forecasted expenditure for 2018/19 (excluding European Funding and Specific Grants).**

	2017/18 £ million	2018/19 £ million
Forecast £ million	25	71
Achieved £ million	25	To be reported at Q1
Variance £ million	0	

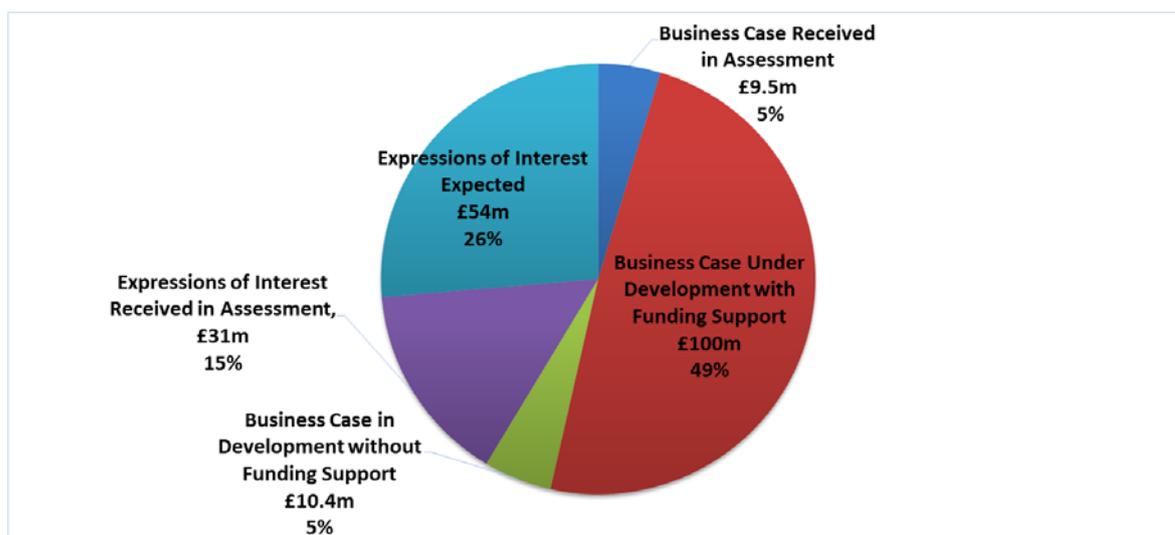
5. Government is monitoring spend closely and the ability to provide local assurance, decision making and a focus on deliverability has accelerated our investment programme significantly this year.
6. £9.8 million was paid to projects in 2016/17 and £25.3 million in 2017/18 (+158%). We are forecast to spend £71 million in 2018/19 (+180%) on local priorities. This excludes European Funding and specific grants.

PIPELINE

7. The current pipeline stands at £205 million (excluding all borrowing and alternative funding sources). If Cabinet chooses to invest in all current pipeline projects this would lead to a shortfall of £145 million (47%) up to 2021, assuming that we invest (a) at the levels requested and (b) without borrowing.
8. 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 work is ongoing with Management Group and Chief Executives to look at the strategy for

prioritisation and exploring commercial models for projects and leveraging additional funding sources.

9. The published forward plan sets out when projects will come forward to Cabinet for an investment decision.
10. **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.



APPROVALS SINCE LAST REPORT

11. The following projects have recently been approved into the investment programme.
12. All approvals are subject to the necessary assessment and due diligence required by the Assurance Framework agreed with Government. This requires submission of a proportionate business case in line with our guidance.
13. An assessment summary for each project is prepared when due diligence is complete. Consideration of the outcome of due diligence is delegated to Andrew Lewis in consultation with Management Group and is published on the TVCA website (with commercially sensitive information redacted) to meet the requirements of the Assurance Framework.

14. Middlesbrough Council, Middlesbrough Rail Station

TVCA Investment	£2.5 million	Total Project Cost	£5 million
Return	None – match provided £2 million from Network Rail and £500,000 from Middlesbrough Council.		
Update	Approved by Cabinet 28 th March 2018 subject to due diligence.		
Summary	There is a short window of opportunity to work with Network Rail to improve the proposal to remediate the undercroft of the station (£4.5 million). Robust project governance arrangements have been agreed between the partners, and the Combined Authority will also provide project management capacity to support the delivery of the Project. Further phases of the project will be developed to deliver the wider aspirations of the station masterplan. This commitment will also contribute to the capacity study (train service requirements) and GRIP3 study.		

Assurance Requirements	Network Rail will be developing the Business Case and undergoing their own due diligence in terms of value for money. Therefore a separate business case is not required. However, we will require clearly defined outputs and outcomes, the client scheme requirements provided to Network Rail and check that governance arrangements are suitable and provide us with the assurances required.
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15. TVCA, Culture: Great City Games & Rugby World Cup 2021 Bid

TVCA Investment	£2.335 million	Total Project Cost	£2.335 million
Return	None		
Update	Approved by Cabinet 28 th March 2018 subject to due diligence.		
Summary	<p>The following was approved:</p> <ul style="list-style-type: none"> • An initial £340,000 to secure the development of the City Games and Cross Country activity by Nova with local authority partners; • 'In principle' support of a further £1.6 million support to secure the longer programme of games from 2020 to 2025 for which further Cabinet approval will be sought for beyond 2019, subject to appraisal of the success of the Games in 2019; and • Funding of up to £250,000 (dependent on partnership contributions) to secure the Rugby League World Cup 2021 event in Tees Valley. 		
Assurance Requirements	A proportionate business case is required for assessment and due diligence for the £340,000 to secure the City Games and £250,000 to secure the Rugby World Cup. A business case will be required at the appropriate time to assess the additional £1.6 million investment.		

DELIVERY

16. No further updates since the last report.

ASSURANCE FRAMEWORK

17. SQW have been appointed nationally to evaluate the investments we make through the devolved funds. The national monitoring and evaluation framework has been agreed and work is ongoing with SQW to provide the necessary project information. We are continuing to work with SQW to determine our local monitoring and evaluation framework, which will also be used to strengthen our assessment framework and feed into our decision making. Whilst SQW are focused on the devolved funds, TVCA will apply the framework to the single pot. A separate report will be provided to Cabinet in due course.

FINANCIAL IMPLICATIONS

18. No financial implications at this time.

LEGAL IMPLICATIONS

19. 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

20. 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

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

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