

AGENDA ITEM 9

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

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

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Note the current position of the investment programme and project updates since the previous report to June Cabinet.

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	Change
Investment Plan Available Funds	305	None
Total Commitments*	249	+£3m
Of which:		
Complete (2%)	5	
In Delivery (23%)	56	
Approved Programmes (6%)	16	
In Due Diligence (16%)	40	Darlington Station
Specific Grants (53%)	132	
Total Pipeline*	315	+£110m
Of Which:		
In Assessment	172	
Developing Business Cases	111	
Pipeline	32	
Investment Plan Balance	-259	
<i>*is the total amount requested excluding any borrowing or commercial models.</i>		

2. **Table 2 below shows the current position on European Funding.** All TVCA pipeline projects are 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

3. **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
Forecasted Spend £ million	25	74 (£+3m)
Achieved Spend £ million	25	To be reported at end Q1, on track for £11m (15%)

4. Government is monitoring spend closely and we are currently on track to spend [£11] million on projects by the end of Quarter 1.

PIPELINE

5. The current pipeline stands at £315 million (excluding all borrowing and alternative funding sources).

6. 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, exploring commercial models for projects and leveraging additional funding sources, and to develop a draft 10 year funding programme.
7. The published forward plan sets out when projects will come forward to Cabinet for an investment decision.

DELEGATED DECISIONS

8. Development Funding – June 2018

Project	TVCA £	Summary	Assurance Framework
TVCA Developing the Hydrogen Transport Deployment Bid	£60,000	Development of a proposal to meet a call by the Office of Low Emission Vehicles (OLEV, part of DfT) - call due to end Dec 18 - for deployment of Hydrogen Vehicles and refuelling infrastructure and which will also support applications to related calls on Air Quality and potentially EU funding calls.	EOI Assessment
TWI & TVCA Hydrogen Economy Project Development	£80,000 of £160,000 total costs	To create a role within TWI for a two year fixed term, based at TWI. The new role will encompass working with TVCA, local industry and research partners and is focused on supporting the development of a regional business plan, the hydrogen economy and exploring areas within TWI which could be developed in Tees Valley to deliver economic benefit.	EOI Assessment
National Museum of the Royal Navy, Hartlepool Development	£465,250	Feasibility, business plan including financial model, economic impact analysis and design for a full extension of the museum's facilities in Hartlepool.	EOI Assessment
Total Development Fund	£605,250		
Remaining Balance	£1,209,682		

9. Investment Commitments – June 2018

Project	TVCA £	Summary	Assurance Framework
National Museum of the Royal Navy, Hartlepool Phase 1 Urgent Project	£499,950 of £1,121,150 total costs	Improve the family offer at the current site; New education facilities and activities; and Moving a significant asset from Portsmouth to Hartlepool and establish as an attraction. This historical asset is at risk if this does not progress.	Business Case Assessment Anticipated an additional 13,500 visitors, a 28% increase.

APPROVALS SINCE LAST REPORT

10. The following projects have recently been approved into the investment programme.
11. 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.
12. An assessment summary for each project is prepared when due diligence is complete. Consideration of the outcome of due diligence is delegated to the TVCA Managing Director 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.

13. Darlington Station Development

TVCA Investment	£3 million	Total Project Cost	£3 million
Direct Financial Return	N/A		
Outcomes	Development and design in line with new DfT requirements.		
Update	Approved by Cabinet 1 st June 2018 subject to due diligence.		
Summary	Government is taking a new approach to the way it incorporates enhancement schemes in to the railway network. It is creating a rolling programme of investment that moves investment in Enhancements away from a rigid five year cycle. This is an entirely new way of establishing Enhancement projects for rail investment and requires a new approach to scheme development. New guidance places a strong emphasis on development of the Business Case for projects. The process has five stages and projects can enter the process at any stage depending upon their readiness and the strength of their business case. This will be DfT's new mechanism for bringing forward enhancement projects and releasing funding. This TVCA investment will allow us to progress through this process to gain investment to deliver the Darlington Station 2025 vision.		
Assurance Requirements	Business case provided and due diligence is underway.		

14. Redcar College IT Infrastructure

TVCA Investment	£968,436	Total Project Cost	£968,436
Direct Financial Return	N/A		
Outcomes	<p>The project aims to improve the management and facilities at Redcar and Cleveland College, contributing to the future sustainability of FE provision in the area for learners age 16+.</p> <p>Number of apprentices supported +340 Number of learners assisted +510</p>		
Update	Approved by Cabinet 1 st June 2018 subject to due diligence.		
Summary	<p>In response to the recommendations of the Tees Valley review of post 16 Further Education, Stockton Riverside College and Redcar and Cleveland College are merging, part of this process has involved the development of an IT/Information and Learning Technology (ILT) Strategy.</p> <p>The project will update the IT Infrastructure at Redcar and Cleveland College site and will purchase and install the following:-</p> <ul style="list-style-type: none"> a) Data links; b) Networks (switches, wireless, servers, storage and server software); c) Firewall; d) Telephony; e) Classroom touchscreen displays; f) Desk-top and tablet computers; and g) Printers and Software. 		
Assurance Requirements	<p>Business Case received and assessed to inform cabinet recommendations.</p> <p>Due diligence complete – funding agreement being prepared. The delivery will begin immediately for completion before the term starts in September 2018.</p>		

15. Development Fund Delegated Decision: Darlington Sports Village

TVCA Investment	£449,950	Total Project Cost	£499,950
Direct Financial Return	Development fund loan therefore if the project secures investment to deliver, the development fund will be repaid. £50,000 match from Darlington Council.		
Outputs	Feasibility, Business Case & Design		
Update	Work will begin immediately – future updates to be provided when available.		
Summary	The proposal involves the development of Darlington Arena in order to increase its overall viability including diversifying the offer and attracting and retaining commercially viable investment as a means to generate income streams to support the delivery of sporting and cultural ambitions.		

	The overall project will costs an estimated £20million with a potential request to TVCA for £1.5m – £2m. A range of funding models will be considered as part of the development work.
Assurance Requirements	An EOI was received and assessed in line with the Assurance Framework.

16. Development Fund Delegated Decision: A689 Wynyard Re-design

TVCA Investment	£333,872	Total Project Cost	£333,872
Direct Financial Return	Development fund loan therefore if the project secures investment to deliver, the development fund will be repaid.		
Outputs	Re-design / transport modelling		
Update	Work will begin immediately – future updates to be provided when available.		
Summary	<p>The proposal involves the signalisation and minor widening at 5 existing roundabouts to provide the capacity on the A689 roundabouts for the additional local access required for the proposed housing developments in Wynyard and South West Hartlepool. It is complementary to previous pinch point works and was a project agreed in the original Growth Deal.</p> <p>Various delays have occurred due to the focus on Wynyard changing from commercial to housing and the hospital proposal not progressing. The scope and technical design of the project therefore requires significant changes and further development work.</p>		
Assurance Requirements	An EOI was received and assessed in line with the Assurance Framework.		

DELIVERY

17. No further updates since the last report, delivery of the investment programme has accelerated as reported previously and is on track. Delivery is monitored closely by TVCA. A delivery dashboard is being developed for future reports.

ASSURANCE FRAMEWORK

18. We are currently undertaking a full review of the Assurance Framework we have in place with Government and guidance is expected to be published by Government in the Summer. This looks at how we make our decisions and governance arrangements; project evaluation and monitoring.

19. Part of this is our locally agreed Assessment Framework which we use to evaluate business cases in line with HM treasury Green Book guidance. We are working with

Management Group, Chief Executives and Director of Resources to review and improve this.

20. An updated Assurance Framework will need to be agreed with Government by December 2018.

FINANCIAL IMPLICATIONS

21. No financial implications at this time.

LEGAL IMPLICATIONS

22. 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

23. 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

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

Name of Contact Officer: Sarah Walker
Post Title: Strategic Investment Manager
Telephone No. 01642 524418
Email Address: sarah.walker@teesvalley-ca.gov.uk