

AGENDA ITEM 7

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

30 NOVEMBER 2018

REPORT OF THE INVESTMENT DIRECTOR

PORTFOLIO: INVESTMENT & BUSINESS GROWTH

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 (27 July 2018) on the spend position, forecast and recent approvals;
- a general update on the strategic prioritisation exercise;
- an update on the ERDF & ESF Uprating exercise;
- an update on the evaluation of Devolution Funding to be undertaken by SQW; and
- an update on the review of the Combined Authority's Assurance Framework.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Notes the current position of the investment programme and project updates since the previous report to July Cabinet.
- ii. Notes the general update on the strategic prioritisation exercise.
- iii. Notes the current position on the SQW review work.
- iv. Notes the current position on reviewing the Assurance Framework.

DETAIL

CURRENT SPEND POSITION & FORECAST

1. **Table 3 below shows the spend position in 2017/18 and forecasted expenditure for 2018/19 (excluding European funding specific grants).**

	2017/18 £ million	2018/19 £ million
Forecasted Spend £ million	£25m	£74m*
Achieved Spend £ million	£25m	£19m

*Previous forecasted spend for 2018/19 included anticipated spend on pipeline projects; however due to the prioritisation exercise this figure may change. Once the prioritisation exercise is complete we will bring forward a revised 10 year investment programme which will update this figure.

2. Government is monitoring spend closely on LGF and as at the end of Quarter 2 18/19 we are currently on track against forecast spend.
3. 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.

Tees Valley notional allocations have been updated to reflect recent and forward sterling/euro exchange rates. The revised rate for the ERDF Programme is €1=£0.9033. This means that the total notional ERDF allocation for Tees Valley has risen from £96.2m to £111.4m.

The revised rate for the ESF Programme is €1=£0.87. This is lower than the rate used for ERDF as DWP decided to apply a lower rate reflecting the structure of the programme and its fundamental difference to ERDF. This means that the ESF notional allocation for Tees Valley has risen from £74.4m to £84.5m. DWP have stated that these figures could be subject to change as they are pending approval of the revised Operational Programme by the European Commission. It is hoped that final revised allocations will be confirmed in the Autumn.

The sterling value of Local Enterprise Partnership area notional allocations will be kept under review by the ERDF and ESF Managing Authorities and adjusted as necessary to reflect future currency fluctuations and departmental responsibilities for managing programme budgets.

	£m	£M	£M	£M	£M
	ORIGINAL ALLOCATION	REVISED NOTIONAL ALLOCATION	CONTRACTED	PIPELINE	AVAILABLE
ERDF	96.2	111.4	38.1	33.0	40.3
ESF	74.4	84.5	35.4	21.4*	27.6
EAFRD	1.1	1.1	0.6	1.0	-0.5
TOTAL	171.7	197.0	74.1	53.4	67.4

* Procurement for four Education and Skills Funding Agency opt-ins (funding specifications) with a total value of £19.4m took place during October. The outcome of this procurement exercise will not be known until early 2019, therefore, the full amount allocated has been included as pipeline.

PIPELINE & STRATEGIC PRIORITISATION EXERCISE

4. Work is ongoing with Management Group and Chief Executives to look at the strategy for prioritisation of projects in the current pipeline. An updated assessment matrix has been used in the review of the current pipeline and will be developed further for future EOIs within our updated Single Pot Assurance Framework. Discussions around prioritisation are ongoing.

DELIVERY

5. 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

6. 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 early 2019. A draft will be shared with Cabinet on receipt of updated guidance from Government.

EVALUATION OF DEVOLUTION FUNDING – ANNUAL SQW REVIEW

7. Tees Valley is in receipt of £15m of annual financial support through its devolution deal. The monitoring and evaluation of these monies is subject to a National Evaluation Framework, delivered by SQW Ltd (economic consultants) which will inform the 2021 Gateway Process, a five year review by Central Government to ensure devolution deal monies have been appropriately spent.
8. All programmes in receipt of support under the devolution deal must be evaluated in accordance with guidelines developed by SQW and the Combined Authority and agreed with Central Government.
9. The proposed monitoring and evaluation framework is in two parts and will cover all activities supported under the Single Pot and will subsequently contribute to the first Gateway Review (2021), including:
 - National Performance: Using an agreed list of metrics (formed into detailed logic models), the evaluation will assess performance of Tees Valley against key indicators, in order to assess progression; and
 - Local Performance: In order to provide 'local granularity and assess value for money' the specialist panel of external evaluators will develop a local evaluation methodology for all relevant programmes (dependent on the degree of progression of each programme, they will either be assessed solely by outputs (for early stage programmes) or impact driven (for those which are either completed or close to completion by 2020)) incorporating the national performance indicators but augmented by outputs and impacts specific to the range of projects supported by the Tees Valley single pot.
10. The Combined Authority has to date developed a draft monitoring and evaluation framework (which includes Revenue and Capital Logic Models for all six Strategic Economic Plan themes) and has shared preliminary case work with SQW, which will be used to develop a consistent approach to monitoring and evaluation. SQW are reviewing the Combined Authority's information this Autumn.

FINANCIAL IMPLICATIONS

11. No financial implications other than as set out above.

LEGAL IMPLICATIONS

12. 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

13. The main risk in respect of the Investment Plan is that significant delay in spending the funds the Combined Authority has available may impact on our ability to secure further funding from Government, under the 2021 Gateway Process referred to at paragraph 7 above, or under any other specific competitive funding opportunities that may arise. The Investment Plan Delivery Report itself is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

14. The strategy for prioritisation of projects in the current pipeline has been subject to consultation with Management Group and Chief Executives.

DELEGATED DECISIONS:

15. Development Funding – August 2018 and September 2018

Project and Summary	TVCA Amount £	Assurance Framework
GRIP3 Rail Options Selection - Eaglescliffe to Northallerton Branch Line Gauge enhancement work to improve rail connectivity to Teesport by addressing the constraints caused by four gauge fouts.	250,000	EOI Assessment
Northern School of Art - Middlesbrough FE relocation Development of the Business Case (RIBA Stage 3). The proposal is to relocate the Northern School of Arts FE site at Green Lane in Middlesbrough, to a new purpose built building in a more central location in Middlesbrough.	580,000	EOI Assessment
Hydrogen Transport Deployment Bid Development of a proposal to meet a call by the Office of Low Emission Vehicles (OLEV, part of DfT) 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.	60,000	EOI Assessment
TWI & TVCA Hydrogen Bus Development role To match fund a hydrogen business development role employed by TWI.	80,000	EOI Assessment

Freeport status study additional amount Commissioning of research and expertise to understand the merits of Free Port Status, using Tees Valley as a test case. (Linked to previous decision dated 16.04.18)	50,000	
Tees Valley business accommodation study To strengthen the Combined Authority's prioritisation of business accommodation investment by providing a robust evidence base.	60,000	

16. Investment Commitments since last update.

Project	TVCA £	Summary	Assurance Framework
Innovation Research and Development Project – Liberty Powder Metals	Total Investment of £4.6m (£1m Grant and £3.6m Loan)	Supporting an R&D project focused on developing and manufacturing new speciality alloy metal powders for end users to use in net shape and additive manufacturing applications like 3D printing engine parts, to be hosted at The Materials Processing Institute.	Business Case Assessment Approved subject to a number of conditions.

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