

AGENDA ITEM 11**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE
INVESTMENT DIRECTOR****PORTFOLIO: INVESTMENT & BUSINESS GROWTH****INVESTMENT PLAN DELIVERY REPORT****SUMMARY**

This report 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 (30th November 2018) on the spend position, forecast and recent approvals;
- a general update on the strategic prioritisation exercise;
- an update on the ERDF & ESF;
- 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:

- Notes the current position of the investment programme and project updates since the previous report to July Cabinet.
- Notes the general update on the strategic prioritisation exercise.
- Notes the current position on the SQW review work.
- Notes the current position on reviewing the Assurance Framework.
- Approves the funding of the Collaborative Networks programme.
- Notes the change request for £515,000 of grant funding from the Combined Authority in respect of the unexpected costs for the BIS and Church Square elements of the ISQ Phase 1 project.

DETAIL

CURRENT SPEND POSITION & FORECAST

1. The table 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	£21m

*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. The table below shows the current position on European Funding. All Combined Authority pipeline projects are considered for eligibility to access these funds and applications progressed where suitable.

	£M	£M	£M	£M	£M
	ORIGINAL ALLOCATION	REVISED NOTIONAL ALLOCATION	CONTRACTED	PIPELINE	AVAILABLE
ERDF	96.2	111.4	38.1	37.8	42.2
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	59.48	69.3

* 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.

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 the Combined Authority. 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 for consultation in early 2019. A revised Framework will be presented to a future Cabinet meeting for discussion and approval.

EVALUATION OF DEVOLUTION FUNDING – ANNUAL SQW REVIEW

7. Tees Valley is in receipt of £15m of annual financial support through its devolution deal with Government. The monitoring and evaluation of these monies is subject to evaluation under the National Evaluation Framework, delivered by SQW Ltd (economic consultants). The SQW review of Tees Valley 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 progress; 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 at the present time.

COLLABORATIVE NETWORKS

11. The Collaborative Networks Programme was approved subject to due diligence at Cabinet in December 2017 as part of the Sector Action Plan implementation.
12. The three year, £1.7m programme is composed of two distinct activities: supply chain support and programme consortia development in support of enhanced and will be delivered to small and medium enterprises. It is anticipated that the Programme will have the following outputs:
Supply chain diversification:
 - To deliver specialist (sector specific) diagnostic and brokerage support to 180 companies seeking to enter relevant supply chains by 2022;
 - To deliver intensive (on-site) support to 60 companies seeking to enter relevant supply chains by 2022;
Enhanced innovation:
 - To develop 24 collaborative networks to develop a robust business case to address a recognised challenge by 2022; and
 - To ensure the development of 6 high potential spin outs by 2022.
13. The anticipated impact of the programme is to create circa £8m of additional GVA and 38 jobs. The programme has undergone due diligence under the local assurance framework and is recommended for support.

Change Request - ISQ Phase 1

14. The first phase of the approved Innovation and Skills Quarter project (ISQ 1b) incorporates the conversion of the Grade II listed former Post Office on Whitby Street to create a centre for business start-ups in the creative sector (BIS), and also includes major streetscape and connectivity improvements within Church Street, Church Square and the Stockton Street area of Hartlepool.

The original project approval was for £8,275,112 which comprises £5,500,000 LGF and £2,775,112 match funding provided by HBC.
15. The costs of both the BIS and Church Square elements of this phase of the project have subsequently increased by £1,290,000. The unexpected costs relating to the BIS have primarily occurred due to the challenging nature of the Grade II listed building which has led to delays in the programme and the extra costs relating to Church Square which are due to unexpected complications with services and fibre optic cables, increased preliminary costs and supply rates.
16. HBC are committing an additional £775,000 match funding towards this unexpected cost increase. This leaves a funding gap of £515,000 which HBC have stated they are unable to cover.
17. In addition to the £775,000, HBC has also committed £95,000 per year for the first two years of operation to subsidise the operation of BIS and £1,445,000 to a public realm scheme to kick start the redevelopment of the Hartlepool Waterfront. HBC has confirmed that HLF, Arts Council and European funding are all ineligible as works have already commenced, the application timescales are incompatible and there are

no other sources of funding available and no revenue streams that could support prudential borrowing.

18. HBC sought £515,000 Combined Authority investment to fund the remaining share of the increase in costs gap identified, and this was discussed at Tees Valley Management Group. Cabinet is asked to note the allocation of this additional funding to the project.

FINANCIAL IMPLICATIONS

19. The £1.7m for the Collaborative Networks Programme will be funded from the Sector Action Plan budget.
20. The ISQ1b change request will commit £515,000 of grant funding sourced from the TVCAs single capital pot.
21. No other financial implications other than as set out in the report.

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. 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

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

DELEGATED DECISIONS:

25. Development Funding – October 2018 and November 2018:

Project and Summary	TVCA Amount £	Approved Date
Local Industrial Strategy Development Consultancy support to support the development of the Tees Valley Local Industrial Strategy.	£100,000	4.10.2018

Funding has now been received from Government for the LIS development and this has been repaid into the Development Fund.		
New Tees Crossing To continue works on developing the business case for the New Tees Crossing project.	£300,000	1.11.2018
Darlington Link Road To continue works on developing the business case for the Darlington Link Road project.	£250,000	31.10.2018

26. Investment Commitments since last update.

Project	TVCA £	Summary	Assurance Framework
Hartlepool Waterfront Festival 2018	£63,755	Investment to allow the festival's continued development in becoming a 21 st century annual maritime arts festival that reflects on Hartlepool's sea-based heritage, provides a more attractive, artistic and impactful cultural offering in Hartlepool and ensures arts and cultural activity can be experienced by a diverse range of audiences.	Culture Programme – Business Case Assessment. Approval: Delegated Decision
Middlesbrough Art Weekender	£14,920	Middlesbrough Art Weekender (MAW) is a three day, grassroots contemporary arts festival held in Middlesbrough. The event provides a showcase for emerging local and international contemporary artists. Through seminars, workshops, exhibitions and performances, MAW will build on its founding year, nurturing legacy and creating a site of excellence in the Tees Valley for the creative industry and contemporary art practices.	Culture Programme - Business Case Assessment. Approval: Delegated Decision
Fujifilm Expansion - Belasis Avenue Road Closure/Diversion	£1m Grant	Funding the construction works, diversion and road closure on Belasis Avenue Road to facilitate and enable the expansion of Fujifilm Diosynth Biotechnologies.	Business Case Assessment

			Approval: November'19 Cabinet
Fujifilm BioCampus Phase 1	£7.062m (£1.625m Grant £5.437m Loan)	The investment will support the provision of 4,000 square metres of high specification office space, potentially convertible to laboratory space and will house circa 250 existing staff and support the attraction of 50 additional high value jobs.	Business Case Assessment Approval: November'19 Cabinet - Approved subject to due diligence.
Darlington Station Upgrade	Additional Investment of up to £25million	Funding will contribute to the overall cost of the rail infrastructure and station fabric component works of the upgrades to Darlington Station.	Approval: November'19 Cabinet - Approved subject to due diligence.
Middlesbrough Station Upgrade	Additional Investment of up to £20million	Funding the additional development of Middlesbrough Station due to planned increases in the number of rail services and improvements to the station facilities.	Approval: November'19 Cabinet - Approved subject to a number of conditions.

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