

**AGENDA ITEM 3****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY CABINET****24 JANUARY 2019****REPORT OF THE CHIEF EXECUTIVE****TEES VALLEY INVESTMENT PLAN 2019 - 29****SUMMARY**

This report attaches the draft Tees Valley Investment Plan (**APPENDIX 1**) covering the ten year period 2019-29. The Investment Plan identifies the funding available over the next ten years and proposes the high level strategic activities that the Combined Authority will consider in detail, including initial commitments for projects and programmes, subject to business cases and due diligence.

In total £588.2m of Combined Authority funding is allocated across the six economic themes identified in the Strategic Economic Plan. It makes provision for the Combined Authority to deliver, commission and support strategic, transformational activity that is required to address our economic challenges and unlock our growth potential. Some projects are fully developed and ready to go, some are still at the concept stage and will require significant work before final approval. Two investments highlighted in the Investment Plan have been through full business case and due diligence and provision is made within the Plan to support them. The first is the purchase of Durham Tees Valley Airport and a detailed report is attached (**APPENDIX 2**). The second is the purchase of the Tata within the South Tees Development Corporation area (**APPENIDIX 3**).

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approves the ten year Investment Plan 2019-29 including the detailed approval of the purchase of the airport and the acquisition of the majority of developable land at the South Tees Development Corporation site as detailed in Appendices 2 and 3.

## DETAIL

1. The initial Investment Plan was agreed by Cabinet in March 2017. Work on the Plan started back in Spring 2018 and has involved working with partners across Tees Valley to identify the key investments to unlock our economic growth and address the challenges that we face. The attached draft refreshes the plan in light of our current and future funding envelopes and the strategic investments that we will wish to consider in detail over the ten year period 2019-29.
2. With the creation of the Combined Authority in 2016 and the Mayoral election in May 2017, the Devolution Deal with Government in 2015 provides for the transfer of significant powers for employment and skills, transport, and investment together with the first Mayoral Development Corporation outside London. Through the deal the Combined Authority has the power to create an Investment Fund, bringing together funding for devolved powers to be used to deliver a 30 year programme of transformational investment in the region. This includes the control of a new £15m a year funding allocation over 30 years. The initial Tees Valley Combined Authority Investment Plan was agreed in March 2017 and set out the investment priorities for the period to 2021. The Combined Authority has been developing its detailed strategies for key areas of activity including Education, Employment and Skills with the publication of Inspiring our Futures, our Strategic Transport Plan, which will shortly go out for consultation as will our strategy to deliver our cultural ambitions. The productivity challenges and opportunities will be further detailed in our emerging Local Industrial Strategy to be published by the end of summer 2019. However, with much of this long-term thinking already in place, together with the significant uncertainties for the economy over the next few years, both nationally and locally, it is now critical to make use of the devolution powers for long term investment planning. Therefore, this Investment Plan sets out our investment strategy for the period 2019 – 2029.
3. The Investment Plan will be reviewed annually to take account of changing economic circumstances, what is working well and what is not, and new funding and investment opportunities. We have significant funds to invest over this period. For the purpose of a 10 year planning horizon, reviewed annually, we have a greater level of certainty over some funds than others. **The ten year planning figure used in this Investment Plan is £588.2m.** The general approach taken in preparing the financial basis for the Plan has been prudently balanced with our ambition to commit funding to deliver transformational activity. Table 1 below sets out the allocations of funding across the Strategic Economic Plan six growth generating themes.

**Table 1: Tees Valley Investment Plan resources and allocation 2019-29**

<b>Theme</b>	<b>TVCA Available Funds in 2017 Investment Plan (exc ESIF) £</b>	<b>New funding received since the 2017 Investment Plan £</b>	<b>Available TVCA Funds during 2017-21 Investment Plan £</b>	<b>Uncommitted TVCA Funds from 2017-21 Investment Plan at Jan 2019 to carry forward to 2019 – 29 Investment Plan £</b>	<b>2019-29 Investment Plan Allocations £</b>
Transport	23,000,000	9,934,298	32,934,298	7,257,762 <sup>1</sup>	<b>256,700,000</b>
Education, Employment & Skills	19,000,000	6,106,593	25,106,593	531,986 <sup>2</sup>	<b>55,000,000</b>
Business Growth (including enabling infrastructure)	44,000,000	-1,007,015 <sup>3</sup>	42,992,985	22,173,985	<b>146,500,000</b>
Culture & Tourism	10,000,000	1,566,669	11,566,669	5,432,299	<b>60,000,000</b>
Research, Development & Innovation	12,000,000	986,093	12,986,093	5,717,089	<b>20,000,000</b>
Place					<b>50,000,000</b>
<b>Total Direct Investment</b>	<b>108,000,000</b>	<b>17,586,638</b>	<b>125,586,638</b>	<b>41,113,121</b>	<b>588,200,000</b>

<sup>1</sup> Does not include LTP or concessionary fares of £988.45m which are pass-ported to the five Local Authorities

<sup>2</sup> Does not include Adult Education Budget of £290m which can only be spent on 19+ education

<sup>3</sup> Due to reduced EZ income

4. The Investment Plan sets out, at a high level, the transformational investments that Tees Valley Combined Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. It also identifies a range of projects, some of which are still project ideas at this stage and might not be feasible, others are further advanced. It is not intended to be an exhaustive list of activity as new opportunities will arise during the period but it identifies the key activity that we know now could be transformational and will need investment during the plan period to unlock the opportunities they could bring. Our initial capital priorities for TVCA funding are identified in the plan in ***bold, italics*** in Appendix 2 of the Plan. The plan also identifies notional programme allocations against each of the thematic areas.
5. Appendix 2 details the opportunity to purchase Durham Tees Valley Airport to secure the future of the airport for the residents and businesses of Tees Valley. Provision is made within the Investment Plan to support this.
6. Appendix 3 details the proposal to acquire the majority of the developable land at the South Tees Development Corporation site and set up a wholly owned Special Purpose Vehicle to own the land on its behalf.

## **FINANCIAL IMPLICATIONS**

7. The Investment Plan sets out the high level activities that the Combined Authority will consider over the ten year period 2019-29 within an initial funding envelope of £588.2m. Each project or programme will come forward as a detailed business case for due diligence and final approval by Cabinet. The purchase of the airport will require a Combined Authority contribution of up to £74.6m and funding of £56.5m will be required for the South Tees Development Corporation.

## **LEGAL IMPLICATIONS**

8. Legal issues in relation to the individual investment proposals are detailed in the attached appendices.

## **RISK ASSESSMENT**

9. The risks associated with the ten year Investment Plan are that the Combined Authority does not pass the Government gateway process to unlock the devolution deal funding. Appropriate programme and project management will be put in place to ensure that the delivery is achieved and the prioritised activity will achieve the outputs and outcomes to address the Strategic Economic Plan priorities.
10. The detailed risks associated with the detailed investment proposals are set out in the attached appendices.

## **CONSULTATION & COMMUNICATION**

11. Consultation has been undertaken on the ten year Investment Plan with the Local Authorities and the Local Enterprise Partnership.

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