

**AGENDA ITEM 10****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY  
CABINET****24<sup>TH</sup> JULY 2020****REPORT OF THE  
HEAD OF TRANSPORT****INWARD INVESTMENT OPPORTUNITY****SUMMARY**

The Combined Authority has been approached regarding a significant inward investment opportunity in Tees Valley that has the potential to create up to 3,000 jobs. A condition of the investor is that at this stage all details relating to the investment opportunity and proposed site must be kept confidential.

In order to secure the inward investment in the near future, the Combined Authority has been advised that there is a need for a third party commitment to deliver a highway interchange improvement. The interchange improvement is currently part of a wider bid for Department for Transport (DfT) funding, but if this bid is unsuccessful, approval is sought for the Combined Authority to award £5.8m in grant funding on the condition of a formal commitment from the investor to develop the opportunity. The grant award would be subject to a business case and appropriate due diligence in accordance with the Combined Authority's Assurance Framework.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approves an in principle £5.8m grant award for the interchange improvement, on the condition of a formal commitment from the investor to develop the opportunity in Tees Valley. The grant would only be required if the wider bid to DfT is unsuccessful.
- ii. Approve that, should a grant from the Combined Authority be required, then in accordance with the Assurance Framework a business case is developed and approval is delegated to the Combined Authority Chief Executive, in consultation with Tees Valley Management Group, the S73 Officer and the Monitoring Officer.

**DETAIL****Background**

1. The Tees Valley Strategic Economic Plan sets out the area's aspirations for growth. The plan articulates the priorities around securing inward investment into Tees Valley

and creating new jobs. These priorities are even more important in supporting the economic recovery post Covid-19.

2. The Combined Authority has been approached regarding a significant inward investment opportunity that has the potential to create up to 3,000 jobs in Tees Valley. The exact number of jobs would need to be considered as part of the business case development and due diligence. However, it is suggested that if the number of jobs is somewhere between 1,500 and 3,000, then the proposed investment would represent value for money.
3. The indicative timeframe put forward is for the investment opportunity to be built and operational between April and September 2022.

### **Highway Interchange Improvement**

4. The position that has been put to the Combined Authority is that if the investment opportunity is to be brought forward in the near future, then there is a need for an interchange improvement to be fully funded by a third party. The interchange has already been identified as a capacity constraint on the network in the wider bid to the DfT.
5. The current consultant budget estimate for the interchange work is £5,803,995. This budget estimate includes: contingency allowance of 20%; design cost allowance of 20% of total road and structures costs; and optimism bias of 44%. All of the land required for the scheme is in the ownership of either the local authority, Highways England or the owner of the proposed site.
6. As the interchange is a Highways England structure, it is anticipated that it would lead on the design and implementation of the scheme. This proposed delivery route would need to be agreed with Highways England, but there is felt to be potential for it to be delivered as an add-on to an existing Highways England improvement scheme. Highways England would also need to cost the scheme themselves and there is therefore a risk that the current budget estimate increases.
7. The Combined Authority grant commitment of £5.8m for the highway interchange improvement is to secure the investment opportunity in the Tees Valley, if the wider bid to the DfT is unsuccessful. Should a formal commitment from the investor to develop the opportunity not be forthcoming, then the grant offer would not stand.

### **FINANCIAL IMPLICATIONS**

8. The interchange improvement is part of a wider bid for DfT funding with an Outline Business Case due to be submitted in January 2021.
9. However, if this bid is unsuccessful the report seeks approval for the Combined Authority to commit £5.8m in grant funding. It is proposed that this funding is committed from a future devolved transport settlement, which is due from 2022/23.

### **LEGAL IMPLICATIONS**

10. The formal grant offer will be prepared in accordance with the Combined Authority's normal requirements, making it clear that the grant funding is conditional on the commitment from the inward investor referred to above.

11. Legal advice is that State aid will not be present to the extent that the parameters of the Project satisfy the requirements relating to road infrastructure set out in the Commission Notice on the Notion of State Aid (2016/C 262/01) i.e. that where roads are available for free public use they are considered general infrastructure and their public funding does not fall under State aid rules.

### **RISK ASSESSMENT**

12. The fact that any grant would be conditional on a formal commitment from the investor to develop the opportunity in Tees Valley, and subject to a business case and due diligence is felt to mitigate any risks to the Combined Authority.

### **CONSULTATION & COMMUNICATION**

13. The item has been discussed at the Tees Valley Management Group and Tees Valley Chief Executives Group.

### **EQUALITY & DIVERSITY**

14. The creation of a significant number of new jobs by securing this inward investment opportunity should have a positive impact on a range of protected characteristics.
15. The interchange improvement includes a new pedestrian/cycle bridge. This will ensure suitable provision for vulnerable users, including younger people and the elderly.

### **LOCAL ENTERPRISE PARTNERSHIP**

16. This item has been considered by the LEP in advance of it coming forward to Cabinet.

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