

AGENDA ITEM 7

REPORT TO THE TEES VALLEY COMBINED AUTHORITY BOARD

22 MARCH 2017

REPORT OF THE MANAGING DIRECTOR

COMBINED AUTHORITY INVESTMENT PLAN

SUMMARY

This report presents the first Investment Plan of the Tees Valley Combined Authority – “Investing in Tees Valley’s Future”. For the first time, the Investment Plan brings together all the funding sources the Combined Authority has to invest into a “single pot”, over the 2017-21 period and beyond. As a key document of the Combined Authority, the Constitutional arrangements require that the Investment Plan receives the unanimous approval of the Board Members. The Investment Plan is attached at Appendix 1.

RECOMMENDATIONS

It is recommended that the Combined Authority Board approve the Investment Plan.

DETAIL

1. The creation of the Combined Authority means there are new opportunities for financial arrangements and longer term financial commitments in the Tees Valley. Combined Authorities will be given new prudential borrowing powers, the devolution deal sets out a commitment to £15m per year over the next 30 years and Business Rates income on our Enterprise Zones can be re-invested locally.
2. The Investment Plan describes how we’re delivering existing commitments, sets out our approach to investment, identifies our headline programme for future investment and highlights some specific priorities.
3. It sets out in detail how we will invest going forwards to meet the requirements of our Strategic Economic Plan, through:
 - Exploring new borrowing powers;
 - Partnership with the Pension Funds and private sector co-investors;
 - Integration with the investment plans of councils and other partners;
 - Flexibility of financial resources between years;
 - Seeking returns and recycling funding;
 - Investing in creating good quality investable propositions; and
 - Sound evaluation and investing in the evidence-base.

4. The Plan has been developed in close consultation with a number of key partners, including the five Local Authorities, to ensure alignment with partner investment plans. The agreement of this Plan will provide a framework to develop projects with the support of key partners, speed up delivery of investments and ensure that there is a robust pipeline of investments over the longer term.
5. The Investment Plan will be reviewed by the incoming Mayor in autumn 2017, in line with Constitutional arrangements, and it is proposed that the Plan is reviewed annually thereafter.

RECOMMENDATIONS

6. It is recommended that the Combined Authority Board approve the Investment Plan.

FINANCIAL IMPLICATIONS

7. The Investment Plan provides the framework for Combined Authority investments over the period 2017 – 2021. All investments will be subject to strict financial processes as set out in the Tees Valley Single Pot Assurance Framework.

LEGAL IMPLICATIONS

8. There are no direct legal implications arising from this report.

RISK ASSESSMENT

9. The Investment Plan is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

10. The Combined Authority consulted with a number of key partners during the development of the Investment Plan.

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TEES VALLEY
COMBINED
AUTHORITY

INVESTING IN TEES VALLEY'S FUTURE 2017-2021

March 2017

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Foreword

The Tees Valley is taking an important step forward. In October 2015 we negotiated a devolution deal with government, to transfer more funding, powers and responsibilities to our area.

For the first time we can seize responsibilities to determine our own priorities, to invest in the ambitions of our area, and make choices here in the Tees Valley, rather than have them imposed from 250 miles away in London. On May 4th a new Tees Valley Mayor will be elected to chair our Combined Authority and drive forward our ambitious plans.

As one of the first areas in the country to become a Combined Authority, the steps we are taking are modest compared to our ambitions. England remains one of the most centralised countries in the developed world. But this is an important step, and it's right that the Tees Valley is in the forefront.

We have increased flexibility to manage our local investment programme. Our aim is to remove the barriers which have been limiting our growth and to unlock the potential we know the Tees Valley has. We want to go further. We want to fundamentally change the relationship of our work with central Government to be consistent with the principles of devolution and local decision making.

“We understand local needs and opportunities and can now make our own investment decisions.”

We can make longer term commitments and explore innovative funding models to really transform our economy.

To meet our ambitious plans we will strive for further devolution and will maximise other funding opportunities and our focus will be to leverage private sector investment. We are determined to make good and productive use of the funding we now have at our disposal, and to be transparent and open to challenge and scrutiny. We also recognise our own responsibility, to show we can take better decisions, more openly, and which deliver better outcomes for local people.

Our success in this endeavour will make a compelling case for further devolution, and the continued transformation of our economy and our communities.



David Budd
Mayor of Middlesbrough



Cllr Bob Cook
Leader of Stockton-on-Tees
Borough Council



Cllr Christopher Akers-Belcher
Leader of Hartlepool Borough
Council



Cllr Bill Dixon
Leader of Darlington
Borough Council



Cllr Sue Jefferey
Leader of Redcar &
Cleveland Borough Council



Paul Booth
Chair of Tees Valley Local
Enterprise Partnership

Introduction from our Managing Director

This is the first Investment Plan produced by the Tees Valley Combined Authority and for the first time, it brings together all the funding sources we have to invest into a “single pot” over the 2017-21 period, and beyond. It describes the new opportunities available to us through devolution and how we will invest our money in new innovative ways to make a significant contribution to delivering the Strategic Economic Plan.

The creation of the Combined Authority offers new opportunities for innovative financial arrangements, not previously available to the Tees Valley. The Chancellor has announced that we will have the power to borrow prudentially against future income. Our devolution deal includes a commitment to £15 million a year over 30 years, and the Business Rates paid on our Enterprise Zones can be re-invested locally, for 25 years from the designation, creating opportunities for longer term financial commitments.

We are in productive discussions with the Teesside Pension Fund, who are interested in extending their involvement in local co-investment opportunities. We will work with other Funds and business investors to secure substantial private sector leverage from the investments we make.

This Investment Plan has been developed in close partnership with the five councils; to ensure that we add value to their work, support their strategic priorities, and properly integrate devolved and local funding. This model of collaborative co-investment will make the best possible use of public money.

“We will work closely with other partners – including Teesside and Durham Universities, colleges, research and innovation centres, and with government agencies - to plan joint investments and ensure a “Team Tees Valley” approach to everything we do.”



The Investment Plan fulfils an important role within our new constitution. The legislation which sets up the Combined Authority specifies that the Investment Plan should be unanimously agreed between the Council leaders, and with the Mayor once they are elected.

This means we need to establish an agreed baseline, from which we can develop individual projects with the support of our partners, and a common understanding of the financial opportunities and constraints we face.

“By establishing this Plan, we can speed up delivery, and ensure we continue to deliver an effective pipeline of investments which help us achieve our ambitions.”

The priorities established in this Plan have been set by agreement between the Combined Authority leaders, in partnership with the Local Enterprise Partnership, and developed with a wide range of other bodies across the Tees Valley. The Tees Valley will elect a Mayor on 4th May 2017. The in-coming Mayor will want to review all our commitments, and ensure the Combined Authority is able to deliver on the manifesto on which they were elected. We will therefore bring this Investment Plan back for review, in line with our new constitutional arrangements, in Autumn 2017 and on an annual basis thereafter.

In this way we achieve a balance between the need to develop long-term commitments, and to be responsive to new ideas and opportunities.

This plan should also reflect the progress we are determined to make over the next few months: delivering transformational programmes; improving outcomes; securing greater transfer of funding, powers and responsibilities from London; influencing the UK's Industrial Strategy; and establishing Tees Valley as a flagship of successful devolution.



Andrew Lewis
Managing Director
Tees Valley Combined Authority



Delivering the Strategic Economic Plan

In December 2016, the Tees Valley Combined Authority published a revised [Strategic Economic Plan](#) setting out a transformational industrial strategy for our area.

The Strategic Economic Plan is the industrial strategy for Tees Valley and for us to realise our ambitions it will require significant contributions from a range of partners, both public and private sector. The Combined Authority's carefully constructed and targeted programme of strategic investments will contribute to these targets and create the new jobs we require by having a strong focus on leveraging in private sector and other public sector investment.

We will work closely and proactively with all partners, looking at a range of available commercial models, so that projects are designed and tested to ensure they contribute as much leveraged funding as possible, to enable us to maximise the depth and breadth of what we can achieve working together. Specific outputs and outcomes we expect to see in return for our investment will be agreed by the Combined Authority Cabinet as part of our streamlined project selection and approval process. The potential for leveraging other funds will therefore be a key criterion as we develop, evaluate and deliver our chosen investment schemes.

The resources immediately available to us are currently insufficient to deliver on the full ambition of our Strategic Economic Plan. But, by investing them wisely, and leveraging a greater economic impact, we are committed to making a substantial contribution to our economy and communities.

The Strategic Economic Plan is focused around six thematic building blocks which reflect the main priorities and areas of activity over the next ten years.

- Business Growth
- Research, Development, Innovation and Energy
- Education, Employment and Skills
- Place
- Culture
- Transport and Infrastructure

This Investment Plan is structured to demonstrate how our investments will deliver against these objectives, including the delivery of new jobs. To demonstrate this more clearly, some themes have been separated or amalgamated in the sections of the plan. Most projects will have a primary objective, but it is important to note that the strongest investment propositions will contribute to several objectives. Indeed, this is one of the benefits of our approach to devolution, delivering across multiple objectives by breaking free from the narrower focus of individual government departments and agencies.

“Economic Growth and inward investment is underpinned by thriving places where people can build new businesses and live in an attractive and stimulating environment.”

The place objective runs across all of our programmes, we highlight this through a series of case studies illustrating specific high priority investments.

Our emerging Sector Action Plans will provide detailed analysis and strategies for developing and delivering activity in the Tees Valley's priority economic sectors.

- Advanced Manufacturing;
- Process, Chemicals and Energy;
- Logistics;
- Health and Biologics;
- Digital and Creative;
- Culture and Leisure;
- Business and Professional Services; and
- The Circular Economy.

The emerging findings from the work currently underway on our Sector Action Plans have fed into the preparation of this Investment Plan.

Our vision is for the Tees Valley to become a high value, low carbon, diverse and inclusive economy with;

- rapid and sustainable economic growth to benefit the Tees Valley and the whole of the UK;
- improved life chances and opportunities for communities so that local people directly benefit through improved prosperity and wellbeing; and
- real strength and vibrancy as a place in which to live, work, study, visit and invest.

Where will the jobs come from?

	Net Jobs
Low Carbon/ Process, Chemical and Energy	+2,000
Advanced Manufacturing	+1,500
Other Manufacturing	-4,000
Construction	+3,000
Professional and Business Services	+7,000
Logistics	+3,000
Digital	+3,000
Higher Education	+3,000
Health and Social Care	+3,500
Services	+2,000
Culture and Tourism	+3,000
Total	+25,000
Replacement Jobs*	116,000

What we will deliver

by 2026

- 25,000 additional jobs;
- Extra £2.8 billion into the Tees Valley economy;
- Tees Valley will be the demonstration region for the circular economy in England; and
- Increased return on investment to £1:£8; and

by 2040

- Tees Valley will contribute 10% of the total GVA growth target for the Northern Powerhouse (with only 4% of the population)

*Job opportunities arising from workers retiring, changing jobs or being promoted



Investing in our Towns and Communities

Our partner councils each have ambitious programmes to invest in their own communities, including capital investment programmes in the town centres, programmes to help people access skills and employment, and partnerships with the private sector to create sustainable high quality jobs.

Darlington

Darlington has ambitious plans to build on its award winning strategies for being an Ingenious Town and delivering levels of sustained economic growth that have been the highest outside London.

They will support and invest around £33 million across regeneration, economy and housing investments including:

- **Darlington Station** –unlocking investment in station infrastructure to ensure we have the maximum opportunity to secure High Speed 2 (HS2) and Northern Powerhouse Rail services and the creation of an ambitious new gateway to the Tees Valley;
- **Eastern Growth Zone** - further development of Ingenium Parc and Morton Palms and Link 66 as a key logistics site adjacent on the A66 as well as support further growth of Lingfield Point;
- **North West Growth Zone** – will focus on unlocking Faverdale as a regionally strategic logistics and engineering location on the A1 corridor;
- **Town Centre Regeneration** – will focus on Feethams Development as well as investments that improve Darlington Town Centre's offer and viability;
- **Central Park Enterprise Zone** –supporting Biologics Manufacturing, Innovation, Training and Education as well growth in the Digital sector; and
- **Arts, Culture and Heritage** - Experience Darlington will act as the catalyst for further investments including a programme of events and investments in both heritage and cultural assets leading to the Darlington 2025 celebrations, Darlington Heritage Campus and Head of Steam.

Hartlepool

Hartlepool will be a centre of innovation, design and creativity with vibrant local communities and enterprising businesses. Investment in education, culture and public spaces will create assets for the future and make Hartlepool a great place in which to live, work, invest, study or relax.

Their priorities are part of a £165 million development programme.

They will support and invest in:

- **Church Street Innovation and Skills Quarter (ISQ)** - to develop a thriving creative industries quarter around the expanding campus of Cleveland College of Art and Design;
- **Hartlepool Waterfront Programme** – to be developed as a landmark destination with a mix of civic, cultural, leisure and visitor attraction uses;
- **Hartlepool's Enterprise Zone sites** - Queens Meadow, the Port Estates and Oakesway;
- **Business Investment and Growth** - major investment projects will continue to be supported to create employment opportunities; and
- **Town Centre** - deliver an improved retail offer, greater diversity through additional commercial, leisure and cultural uses and improved links to the Church Street Innovation and Skills Quarter and Waterfront.



Middlesbrough

To build on growing development momentum, the Council has developed the Middlesbrough Investment Prospectus. This will be used to secure investment from private developers, Tees Valley Combined Authority and Government.

The Council is contributing £74 million of its own funding to accelerate and secure delivery.

They will support and invest in:

- **Middlehaven, Centre Square** - the hub for civic and cultural opportunity;
- **Business and Enterprise** - growing Middlesbrough's business base with new commercial workspace and a supportive environment for innovation sectors;
- **Middlesbrough Rail Station and Historic Quarter** - direct trains to London will commence in 2020. Reviving the strategic transport gateway to the town and stimulating investment in the historic quarter to encourage business growth;
- **University Quarter** - Building on the success of Teesside University and Linthorpe Road to provide high-quality educational, residential and commercial opportunities;
- **Teesside Media and Innovation Village** - Transforming and restructuring the town centre to create an iconic regional destination for media, digital creativity, learning and leisure; and
- **Growth and Prosperity through Housing.**

Redcar and Cleveland

Redcar & Cleveland seeks to accelerate diversification and growth of local economic activity. Its aim is to strengthen and promote their economic assets and build a competitive workforce.

They will support and invest £45 million over the next five years:

- **Business Growth and Investment** - proactive support to sustain, grow and promote the quality and influence of key business assets;
- **Dynamic Town Centres** - changing dynamics of the retail and local service sectors are driving new roles for town centres which creates an opportunity to re-think their role in the economy;
- **Growing the Visitor Economy** - continued improvement in the leisure, cultural and accommodation offer will accelerate growth of a healthy visitor market;
- **Business Accommodation Ladder** - new and refurbished / adapted premises to support urban and rural based enterprises, grow-on space for established companies and bespoke accommodation to meet more specialist needs in key sectors;
- **Housing Growth** - requires positive engagement with housing developers and providers to ensure the supply of a good range of housing, including affordable provision, capitalising on new funding and delivery mechanisms, and with a consistent focus on driving up the quality of our residential communities; and
- **Skills for Growth** - the Foundations for Jobs Partnership will focus on our young people to be the work ready. Through sector promotion activity; ensuring strong links are built between schools, FE and employers, and encouragement of continuous learning and reskilling to replenish the local workforce.

Stockton-on-Tees

The aim is to support people and encourage business growth as well as public and private investment that further strengthens the performance of Stockton-on-Tees as a thriving and productive Borough.

They will support and invest in:

- **Housing Provision** to facilitate our projected growth and add to the already fantastic residential developments;
- **Tackling Skills Gaps** that exist, for example, by supporting Stockton Riverside College on their Logistics Academy and NETA Training Group;
- **Key Employment Locations** such as Wynyard, North Tees/Seal Sands and Industrial Estates and Business Parks such as Teesside Industrial Estate;
- **Creating Better Connectivity** across the Borough and supporting Durham Tees Valley Airport;
- **Unique Opportunity** to utilise the 10 miles of tidal-controlled river frontage, particularly on sites such as Tees Marshalling Yard; and
- **The Borough's Town and District Centres** that provide a unique and distinctive mix of retail, business and leisure, for example, the refurbishment of the Globe Theatre to create a 3000 capacity music/comedy venue to add to a rapidly growing leisure focussed evening economy.



Our Progress So Far

Tees Valley Combined Authority is built on a strong history of its constituent local authorities' commitment and work with the private sector and other public sector bodies, over the last 20 years.

The area's economy is built on the foundations of industrialisation, innovation and reinvention. The structure of the Tees Valley economy has significantly changed over the past 40 years and will continue to change. Today Tees Valley is home to one of Europe's largest integrated industrial complexes, but also has a diverse mix of businesses and the balance between public sector and private sector jobs is significantly improving.

Our traditional key sectors continue to grow with significant investment by existing companies in;

- **Advanced Manufacturing** - Nifco £23 million investment in new plant and premises supplying Nissan, Jaguar Land Rover and other key automotive companies;
- **Process and Chemicals** - Sabic has recently completed the cracker upgrade with investment of £100 millions; and
- **Logistics** - PD Ports £80 million investment in the Northern Gateway.

We have also attracted significant inward investment (£1.47 billion since 2011) and we have encouraged the growth of new and emerging sectors in digital (with support through DigitalCity), health and biologics (with the National Catapult CPI - National Biologics Manufacturing Centre), energy (with the development of waste to energy plants and Europe's largest biomass power station (MGT) currently under construction). Our refreshed Strategic Economic Plan has also identified the opportunity that culture and leisure and professional and business services will play in our economy moving forward.

We have demonstrated that devolving funding to the Tees Valley, with greater local flexibilities creates jobs through the success of;

- the Tees Valley City Deal - creating 3,500 jobs and £10 million of investment;
- the use of £6 million of Regional Growth Funds through a Jobs and Investment Scheme creating over 700 jobs in just over 18 months; and
- despite the challenges of uncertainty of year two funding delivering full spend on year one of the Local Growth Fund.

“The area has shown that with partnership working and with the ability to flex national rules to address local circumstances a significant impact can be achieved.”

**Since 2011
£1.47 billion
inward investment**

(inc £773 million on the Enterprise Zone)

**Currently
£12.6 billion
contribution to the
economy**

**Since 2011
22,700
additional
private
sector jobs**





SSI Task Force

In October 2015, we suffered the devastating loss of the SSI Redcar Steelworks, with the direct loss of 3,000 jobs, and many more affected in the wider supply chain. The SSI Task Force was established to offer help and support to those affected by the SSI closure. The Task Force worked with government to put in place local packages of investment totalling around £50 million to support both individuals and business affected by the closure and also to provide longer term wider economic benefits to the area. Without the local flexibilities the support would not have been as effective for example so far;

- over 14,000 training courses have been provided. Approximately, 80% of the training provided could not have been provided under the current, national rules yet was crucial to the individuals to gain the appropriate skills and qualifications needed to gain employment;
- with changes to the national rules 51 former apprentices have found training or employment;
- 1,114 new jobs have been created and 408 jobs have been safeguarded;
- over 260 new businesses have been started; and
- the funds have not yet all been fully utilised and more work is still to be done.

“The area’s strength’s in partnership working, in innovation and reinvention, learning from our past and looking to our future means that devolved funds will achieve a significant impact in the area. The investments through this Investment Plan will embed many of the lessons and look to utilise local flexibilities. An ongoing dialogue with Government to deepen these flexibilities will add more value to what can be achieved.”

Our Resources

The Combined Authority currently has £464 million to deploy up to the financial year 2020-21, covering the first term of the Tees Valley Mayor which will run until May 2020.

We expect to supplement this further, as we reach further deals with Government departments to bring additional funding into the Tees Valley and utilise our new borrowing powers.

£244 million has already been committed to specific projects. Committed refers to funds that are ring-fenced by Government, contracted European funding and investments that are approved in the current programme but are still working their way through due diligence.

We have £220 million available to invest in new proposals. Of which, £103 million is European Funding for Business Growth, Research, Development, Innovation & Energy and Employment and Skills and £117m from the Combined Authority's direct resources. 70% of the Combined Authority funding is flexible revenue funding and 30% has to be committed to capital projects.

The Combined Authority has already started to establish funding streams which continue beyond 2021. Currently it includes the significant contribution of £173m from the European Structural Investment Fund (ESIF) with a firm commitment from Government that all activity contracted up to the point of leaving the European Union will be honoured. The Devolution Deal committed the government to a £15 million a year for 30 years until 2046, creating the opportunity of a larger scale investment. Of that funding, £75 million is included within this Investment Plan, and a further £375 million is available for future years, subject to a "gateway" process to unlock five yearly tranches of funding. In addition, the Combined Authority is able to re-invest the business rates paid on our Enterprise Zones for 25 years from the designation. The scale of this depends on our success at attracting new business onto those sites, but could be significant. These future funding streams could in principle be used to stimulate up-front investment, using new borrowing powers announced by the Chancellor in the Autumn Statement.

The resources available to the Combined Authority will increase as further devolution takes place. The Adult Education Budget (approximately £18 million annually) will come into the fund in 2018-19 with potential for further devolution from Central Government.

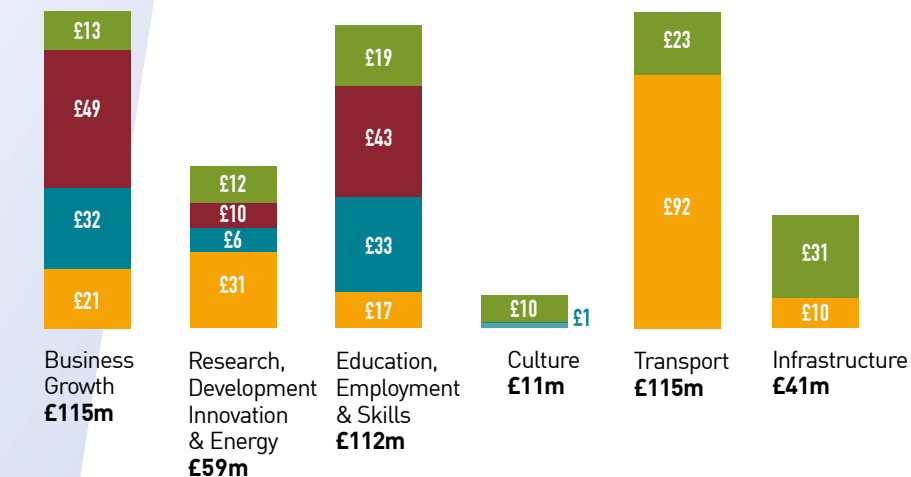
“We are working in a new and exciting environment. Traditionally funds were secured annually on a fund-by-fund basis, which restricted a true programme approach.”

Key opportunities include:

- Shifting away from the historic approach of annual allocations to a true multi-year programme focused on the right investment, in the right place, at the right time;
- Local decision making and the ability to support project development and respond flexibly to opportunities for investment;
- Building an asset base which can be used for future re-investment;
- Accelerate delivery through the Combined Authority borrowing powers; and
- Partnership delivery, including increasing the fund through underwriting partnership borrowing.

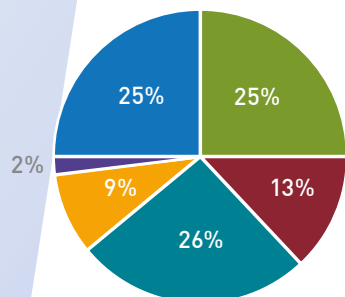
“We would expect this Investment plan to deliver at least 14,000 jobs and £800 million of direct GVA. The £118 million of unallocated funds will contribute at least 3,500 jobs and between £201 million of direct GVA over the next four years.”

Breakdown of Funds (£m)

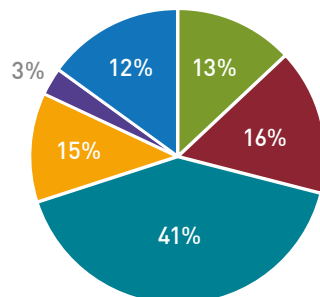


■ New TVCA Allocation
■ ESIF Allocation
■ ESIF Commitments
■ TVCA Commitments

Including European Funding



Excluding European Funding



■ Business Growth
■ Education, Employment & Skills
■ Research, Development, Innovation & Energy
■ Transport
■ Infrastructure
■ Culture

THEME	COMMITTED FUNDS	AVAILABLE EUROPEAN FUNDS	AVAILABLE COMBINED AUTHORITY FUNDS	TOTAL INVESTMENT
BUSINESS GROWTH	£53m	£49m	£13m	£115m
RESEARCH, DEVELOPMENT, INNOVATION & ENERGY	£37m	£10m	£12m	£59m
EDUCATION, EMPLOYMENT & SKILLS	£50m	£43m	£19m	£112m
CULTURE	£0	£1m	£10m	£11m
TRANSPORT	£92m	N/A	£23m	£115m
ENABLING INFRASTRUCTURE	£10m	N/A	£31m	£41m
SUB TOTAL	£242m	£103m	£108m	£453m
PROJECT DEVELOPMENT 	£1m	N/A	£6m	£7m
FLEXIBLE DELIVERY	N/A	N/A	£3m	£3m
EVALUATION	£0	N/A	£1m	£1m
SUB TOTAL	£1m	N/A	£10m	£11m
TOTAL	£243m	£103m	£118m	£464m

Securing Additional Resources

In addition, a wider range of public sector funding opportunities are not under our direct control, but the Combined Authority is seeking to exercise substantial influence in how these are allocated and used.

These include:



HOUSING. The Combined Authority is seeking an investment agreement with the Homes and Communities Agency to accelerate and deliver longer-term investment in new homes and the regeneration of communities. Our immediate proposal is for an agreement to invest around £100 million in the 2017-21 period.



TRANSPORT. As well as our own local responsibilities, the Combined Authority is developing proposals for investment in the A66 and for a new crossing of the River Tees, and for investment in Darlington Station as a hub for HS2, Northern and local rail services. If those proposals are successful, over £1/2 billion may be unlocked from the national highways and rail investment programme.



SKILLS. Although some progress has been made on devolution, central government retains control of much of the funding for skills, employment and education. As well as delivering our own responsibilities, the Combined Authority will seek to influence this funding according to the needs of our communities and local economy.



INDUSTRIAL STRATEGY. Alongside our own innovation programme, the Combined Authority is proposing a substantial role in the UK's Industrial Strategy. We are bringing forward proposals for investment in Carbon Capture, Storage and Utilisation (in partnership with the Teesside Collective coalition), and to stimulate the Hydrogen Economy. If successful, this could unlock £ billions of additional public and private sector investment in our local economy.



Exiting the European Union

Brexit will have profound implications for the UK, and for the Tees Valley specifically.

“European funding currently represents 37% of our single pot.”

As one of a small number of areas which qualify for an enhanced level of access to European Funding, the resources available for investment in our economy are at particular risk. But there are also opportunities to develop new methods of funding, which could mean that Brexit actually improves the impact of regional economic development funding for areas such as ours. The outcome depends on the Brexit negotiations, and the choices that the government makes about how local economic development should be supported in this new environment.

As a “transition region”, Tees Valley was set to receive £173 million to be committed in the 2014-20 period, with funding available to be drawn down until 2023. £97.4 million of this is from the European Regional Development Fund; £74.5 million from the European Social Fund; and £1.1 million from European funds for rural areas. Because of delays in establishing the necessary agreements between the UK government and the European Commission, this funding only started to flow from 2016. The Brexit vote placed an immediate barrier on the delivery of funding, because of the uncertainty about how much of the 2014-20 programme could be deployed.

The government has now stepped in to guarantee that commitments entered into before Brexit takes effect would be honoured through a government guarantee, and the Tees Valley’s European programme has been able to continue to make commitments. European funding is therefore incorporated as part of this Investment Plan, and we are making good progress in delivering programmes.

Brexit is now likely to occur by April 2019. At that point, the UK is likely to have no further access to European regional funding. Ministers have suggested, without making firm commitments at this stage, that Brexit creates an opportunity to replace European resources with more devolved local funding.

“The Tees Valley Combined Authority is advocating the full replacement of our European funding programme by much more flexible local arrangements.”

European funding is available on a multi-year basis, and any replacement should also allow long-term commitments. There is also an opportunity to avoid many of the bureaucratic restrictions associated with European funding; including excessive costs of delivery, centralised governance, inflexible targets, disproportionate audit requirements and the risk of claw-back of funding.

“With a Combined Authority, the Tees Valley is well-established to deliver a more flexible and responsive replacement programme.”

Adding a minimum of £25 million a year to the existing devolved funding arrangements from 2019, committed on a multi-year basis, would maintain the current level of investment in the Tees Valley. This would ensure that Brexit is turned from a significant risk for our region into a significant new opportunity.”

How Will We Invest?

Using the new flexibilities secured through our devolution deal, we will focus on priorities that will really make a difference and accelerate growth. We will explore a range of innovative funding instruments to maximise the return on our investment and create a revolving investment fund that will continue to deliver into the future.

We will:

- explore new borrowing powers;
- partner with Pension Funds and private sector co-investors;
- integrate with the investment plans of councils and other partners;
- utilise flexibility between years;
- seek returns and recycling of funding;
- invest in creating good quality investable propositions; and
- undertake sound evaluation and analysis.

We aim to approach any investment opportunity by working with partners in a responsive, flexible and inclusive way.

We will:

- commission projects that will contribute to the delivery of our Strategic Economic Plan;
- take our decisions on a sound investment basis;
- work with partners to look at potential delivery models on specific projects, to maximise the chances of success;
- take a commercial approach, including in our assessment and management of commercial risks;
- support proposals in their development to ensure a strong pipeline is good to go; and
- achieve value for money.



The Power to Borrow for Investment

The Chancellor announced in the 2016 Autumn Statement that Mayoral Combined Authorities would be given the power to borrow to fund investment.

This is a major step forward, and resolves an anomaly restricting Combined Authorities from operating financial flexibilities available to all other local authorities.

Borrowing will be subject to the “Prudential Code” which applies to all local authority borrowing. The Combined Authority will only be able to borrow where we are able to generate a return from investment, or can assign future funding to fully fund the borrowing costs.

We will need to exercise this new power in close cooperation with our partner councils, who already have the power to borrow and fund priority investments in their areas.

As examples of how we could use borrowing powers to increase the investment available to us in the 2017-21 period, exploiting the current low interest rates:

- ▶ **we could borrow to invest in our Enterprise Zones, with financing costs met by business rates income growth within the Zone. Because we are able to retain those business rates**

for a 25 year period, we could prioritise our investment into these sites by borrowing to invest in infrastructure or commercial deals which unlock sites for business growth. The new businesses attracted will then pay business rates which can be used to pay off the original loan. As a guide, a site which generates an additional £1 million in business rate income, with certainty over 25 years, could justify a £17 million up-front investment.

- ▶ **we could invest in our industrial assets. For example, we are developing proposals for district heat networks, which use the surplus heat from Teesside’s industrial clusters, and direct that heat into public buildings and domestic properties, generating substantial savings in energy bills. We will develop a commercial business case, which could in principle use our new borrowing powers to fund the up-front infrastructure costs.**
- ▶ **there may also be opportunities to borrow to support the work of Mayoral Development Corporations, who can generate a return from the investments they make on specific sites.**

In principle we could also accelerate investment by using some of the future allocation of funding agreed through our devolution deal (£15 million a year for 30 years) to fund the financing costs of up-front investment. This was identified as an option in the devolution deal itself.

▶▶ **As a guide, if we were to assign half of our devolution deal funds to finance borrowing (i.e. £7.5 million a year for 25 years), an additional £120 million could be added to this Investment Plan, within the 2017-2021 period.** ▶▶

An investment of this scale would require agreement with government, because we are currently restricted by a government “gateway” process which requires ministers to confirm successive allocations of funding in 5-year tranches.

By taking a longer-term approach, the Combined Authority can open up new opportunities for long-term partnerships with other capital investors, who see the opportunities arising in the Tees Valley for a strong commercial return from investment. This is already happening at the level of individual investments.

▶▶ **In summary, where a sound business case exists, our new borrowing powers and investment flexibility means that the funding set out in this Investment Plan could be significantly boosted, by bringing forward investment, and making a bigger, faster impact on the economic growth of the Tees Valley.** ▶▶

This is a real opportunity to make our funds go further, leverage additional investment and unlock new economic opportunities across the Tees Valley.

Removing Barriers to Delivery

To achieve our ambitions, proposals must be developed effectively into investable and deliverable propositions, backed up by strong business cases and sound evidence of impact.

We need to subject those business cases to robust and independent assessment, so we can be sure that everything we do is excellent value for money. And we need to evaluate the impact we are making, so future interventions can benefit from the experience we develop.

Many of the programmes set out in this Investment Plan are complex. They involve multiple partners and funders. They require a sophisticated evidence-base, to understand their economic, social and environmental impact. Often in the past, good ideas haven't been translated into deliverable proposals because it hasn't been possible to unite all the stakeholders behind a clear proposal, demonstrating the impact they want to see. The short-term nature of public funding hasn't given enough confidence that good business cases will be followed through to deliver on the ground.

The Combined Authority will aim to resolve these barriers. By using our influence with the full range of funders and delivery partners, we will help make things happen more quickly, with greater impact.

Project Development

One of our main barriers to delivery is the upfront expenditure required to develop proposals into a full business case. We will therefore set aside £6 million to assist with the development of strategic proposals in cases where no other funding is available.

This builds on the successful operation of our current approach to development funding. This approach ensures that when proposals come forward for approval, they are sufficiently developed to provide Cabinet members with the information they need to take a decision to allocate funding. We will also use the Project Development Fund to support bids to central government, for projects which are too big to be locally funded, but require a sound business case to unlock funding from the government. This often occurs in a competitive bidding process against other areas of the country, so the creation of the Development Fund will help the Tees Valley to secure additional resources into our area. The Development Fund can also be used to support proposals from private sector investors.

On a regular basis we will invite investment propositions to come forward for this funding. The first stage requires the completion of an initial Expression of Interest. The Combined Authority will conduct a light-touch appraisal of all investment

propositions, considering strategic fit, and the economic, commercial and financial case. Where a proposal looks promising, we will develop it further using our Project Development Fund if no other funding is available.

Where projects are successfully invited into the programme and begin delivery, these early development funds will be reimbursed by the project. In this way we can recycle the funding available, to create an active pipeline of investable proposals.



Flexible Delivery

We need to be responsive to change and grasp opportunities as they arise. We will therefore set aside £3 million for flexible delivery.

Once projects are underway, small additional costs sometimes occur, because of events or circumstances that were not anticipated when the project was approved. If these fundamentally alter the nature of the project, or represent a significant un-recoverable over-spend, we will require these costs to be met from other sources, or a new approval to be applied for. However, there will be circumstances when a more rapid and flexible response is justified to keep a project on track. We will therefore set aside a small contingency to be used in these circumstances.

This funding can also be used to meet the needs of smaller projects that are seeking to take up new development opportunities quickly; for example in helping to secure a major inward investment, or to meet an urgent need which cannot be met through another route.

“All investment will adhere to the single pot assurance framework agreed with government to ensure we are open and accountable for our decisions.”

Analysis and Evaluation

This Investment Plan, and the wider work of the Combined Authority and our partners, represents a significant intervention in our economy. It's therefore vital that decisions are made on the best possible evidence, and robustly evaluated.

Where we support pilot programmes, they will be designed to generate good quality evaluation findings, to allow a decision to be made on whether to extend beyond the pilot phase.

Our agreements with government also require us to place a high priority on evaluation. Specifically, the government has instituted a five-yearly “gateway” process, which must assess that our investments have contributed to economic growth, before future tranches of devolved funding (beyond 2021) can be committed. While being clear about our own local priorities, we will adhere to best national practice, including the Treasury's “Green Book” and the Department of Transport's WebTAG appraisal process. We also need evidence if we're to persuade government that further funding, powers and responsibilities should be devolved to the Tees Valley.

In areas such as skills, education and employment, where we are newly receiving devolved powers, we will set aside funding to ensure we don't simply

replicate the processes set by government, but instead make better informed decisions about local priorities.

Consultation and engagement with the public forms an important part of the evidence required to inform and justify investment, and we will develop good practice in this area, particularly where our proposals impact on specific local communities.

We will work with universities, think tanks and research bodies to bring a high level of external expertise to this role. Rather than ad hoc research projects, we will develop a programme of analysis which accumulates into a solid foundation of evidence, to inform the best means of delivering our Strategic Economic Plan.

£1 million has been set aside to fund this programme, with additional opportunities to add to this by collaborating with other partners, including national government. We propose to publish an Analysis and Evaluation Plan setting out these proposals, by Autumn 2017.

“We will ensure Tees Valley is at the forefront of good practice in evidence based decision making and sound evaluation.”

Our Investment Programmes

The following sections set out our priorities for investment under each theme.

Business Growth £115 million

- Support Business Growth
- Develop Business Accommodation

Research, Development, Innovation & Energy £59 million

- Energy Production, Storage and Efficiency
- Significant Carbon Reduction
- Sector and Supply Chain Support
- Commercialisation of Innovative Technologies

Education, Employment & Skills £112 million

- Removing Barriers to Work
- School Improvement including Careers, Education, Information, Advice and Guidance
- Improving and Sustaining 16+ Facilities

Culture, Leisure & Tourism £11 million

- Develop and Maximise the use of Cultural Assets
- Grow the Visitor Economy

Transport £115 million

- National Rail
- Major Roads
- Supporting Economic Growth
- Connecting Centres
- Local Journeys

Enabling Infrastructure £41 million

- Unlock Sites for Business and Housing Development
- Rejuvenate our Town Centres

Housing

- Future programmes to be determined to accelerate the supply of good quality homes across the whole housing market

Our Investments will:

Create

- High quality sustainable jobs;
- CO2 savings;
- Improved perceptions of the Tees Valley;
- Improved connectivity;
- Improved quality of life;
- Improved local neighbourhoods; and
- Accelerated housing growth.

Increase

- Productivity;
- Business start-ups and survival;
- Trade in new markets in the UK and internationally;
- Turnover from innovation and exporting;
- The employment rate;
- Educational attainment;
- Levels of engagement in education, training and employment;
- The number of residents with higher level skills;
- The number of visitors and the amount they spend in our economy;
- The level of inward investment; and
- Business growth, particularly on our Enterprise Zone sites.

Reduce

- Job losses;
- Energy costs to other industries;
- The long term unemployment; and
- NEETs.

Strong investment propositions will contribute to a number of themes. Our key growth sectors are prioritised throughout and equally the Sector Action Plans could identify cross cutting actions.



Business Growth

Strategic Economic Plan Aim

To diversify the economy, support more business start-ups and develop high growth potential businesses. These can be across all our identified key growth sectors.

Our Resources - £115 million



■ TVCA Commitments ■ ESIF Commitments
■ ESIF Allocation ■ New TVCA Allocation

Our Investment Priorities

Investment will be made to target growth through both indigenous businesses and inward investors. There is a need for capital intensive investment in the Tees Valley that boosts productivity and wages alongside creating additional jobs. We will prioritise business growth on our Enterprise Zone sites.

Develop Business Accommodation

- Develop new facilities to meet the needs of businesses, particularly in our priority sectors;
- Recycling existing buildings for new use is encouraged.

Support Business Growth

- Attract and support new businesses to Tees Valley;
- Support companies to introduce new products or processes;
- Support start-ups and the growth of new and existing businesses;
- Offer consistent support in Tees Valley for SMEs and large companies; and
- Extend or complement Tees Valley Business Compass current services, particularly through sector specific support.

Priority will be given to:

- Incubation space, linking commercial-based employment to town centre regeneration and industrial sites;
- Tees Valley Enterprise Zone and other strategic employment sites; and
- Purchasing specialist equipment to access high value supply chains and/or export markets.

Other Funding Opportunities

National Productivity Investment Fund

Proposals for National Government

- Extension to National Growth Hub Funding;
- Maintain the exceptional RGF support; and
- Department for Trade and Industry to continue to work with and support inward investors through Northern Powerhouse and National programmes

“To develop the historic Kirkleatham Estate into an inspirational place for culture, leisure, business and training; bringing opportunities for greater prosperity, employment and wellbeing across our communities.”



Kirkleatham Estate

Supporting Business Growth, Education Employment & Skills and Culture

Redcar and Cleveland Borough Council aims to secure a sustainable future for the Kirkleatham Estate, through its restoration and new build developments. The Estate is home to a number of listed buildings and currently a Museum, Pavilion and Visitor Centre.

Further developments would include:

- A showground and garden feature;
- A walled garden and catering academy; and
- A place where business and education can come together to inspire and develop the next generation of entrepreneurs and skilled workers.

The overall aim of the project is to restore and develop the Estate to create;

- Employment, skills and training opportunities for residents of the Borough;
- A major visitor attraction of national importance;
- Grow the visitor economy by enhancing the cultural offer;
- Protect and conserve rich heritage assets; and
- Promote community regeneration.

The Catering Academy and garden is the first major building project to be developed by the Council in recent years, but it is intended that the conversion of the stable block will follow alongside the potential reuse and redevelopment of other buildings and land across the Kirkleatham Estate to establish it as regional cultural destination. We will continue to support the development on this site.

Research, Development, Innovation and Energy

Strategic Economic Plan Aim

To introduce new processes and practices which reduce carbon emissions, increase productivity and the availability of high value jobs.

Our Resources - £59 million



■ TVCA Commitments ■ ESIF Commitments
■ ESIF Allocation ■ New TVCA Allocation

Our Investment Priorities:

Encouraging collaboration between smaller and larger firms is a key objective of the Combined Authority and innovation partners – to catalyse innovation and crucially, commercialisation of new technologies.

Energy Production, Storage and Efficiency

- Develop existing and new energy solutions including creating value from waste, offshore, nuclear energy, hydrogen, bio-energy, energy storage, demand reduction and energy / product integration; and
- District Heating and Private Wire Networks.

Significant Carbon Reduction

- Provide innovative funding solutions to retain existing high carbon emitters in face of rising carbon costs whilst meeting our carbon targets; and
- Develop and commercialise innovative carbon reduction and utilisation solutions and leverage Government and private sector investment.

Sector and Supply Chain Support

- Invest in new Capital to access high value supply chains (e.g. specialist plant); and
- Develop, bio-based supply chains, bio-pharmaceuticals, biologics, and innovative healthcare opportunities.

Commercialisation of Innovative Technologies

- Provide further open access facilities to support innovation and meet gaps in proven business demand; and
- Demonstration projects to develop bio-based products, carbon utilisation, energy, and innovative supply chain options.

Other Funding Opportunities

- £320 million Heat Network Investment Programme
- £4 billion Industrial Strategy Innovation Challenge Fund;
- Horizon 2020; and
- Innovate UK.

Proposals for National Government

- Allocate £15 million in front end engineering and design funding for the Industrial Carbon Capture and Storage pilot;
- Support investment in a suitable store for Tees Valley; and
- Devolve the £10m Contract Catalyst Fund to the Combined Authority for further investment.



Central Park Enterprise Zone

Delivering Infrastructure and Supporting Business Growth, Education Employment & Skills and Research, Development, Innovation & Energy

Central Park was a 30 Hectare brownfield site within the heart of Darlington, situated to the east of the East Coast Main Line and a 5 minute walk from the Town Centre. Darlington Borough Council and the Homes and Community Agency, have successfully removed the development constraints on site, including the relocation of the allotment gardens, a Council depot and overhead cables. Early development included securing the delivery of a state of the art College in 2006 and establishment of a Teesside University building on site which opened in 2009. In addition, a third of the new homes on site have been delivered by Keepmoat Homes Limited.

The Central Park Enterprise Zone is the commercial area within the wider Central Park development area. The partners have successfully delivered a 34,444sqft business incubator, Business Central, funded by the Homes and Communities Agency and European funding and secured the delivery of the Centre for Process Innovation's (CPI'S) £38million National Biologics Manufacturing Centre which forms part of the Advanced Manufacturing Catapult Programme.

Following the completion of the new site access and spine road in June 2017 part funded through Combined Authority resources, eight development plots, totalling a development area of 25,000sqm will be available. This is in addition to two flagship projects for the site: CPI's Healthcare Futures Centre and Teesside University's National Horizons Centre. We will continue to support the development of this site.

Education Employment and Skills

Strategic Economic Plan Aim

To increase educational attainment, produce the skilled workforce that businesses need and increase lifetime opportunities for our residents.

Our resources £112 million:



■ TVCA Commitments ■ ESIF Commitments
■ ESIF Allocation ■ New TVCA Allocation

Our Investment Priorities

Accelerating the business growth required will not be achieved without a transformation of our skills and education system. The new Education, Employment and Skills Partnership Board will develop two strategies and action plans to take this work forward - one related to Employment and Skills and one focused upon School Improvement.

To maximise the access to nationally procured funding, there is an immediate opportunity to consider matching our local investment with the European Social Fund. Within employment and skills there is an additional £40 million to be allocated with

a requirement to provide local match of around 40%. Working with partners we will look to analyse the gap in available match funding from local organisations; and where appropriate will provide the match direct from our investment. Current opportunities under consideration could unlock up to £11.25 million of our European funding allocation and ensure local activities are supported.

Employment and Skills

We have identified the need to provide a better coordinated and cohesive approach that develops a **“Quality Jobs Programme”** to address our key challenges and maximise the use of our resources. As we develop the strategies and detailed action plans with the Education, Employment and Skills Partnership Board the activity allocations within the programme may be amended. We will invest in;

QUALITY JOBS PROGRAMME	
Support for addressing Youth Unemployment, including those at risk of NEET	£2.5 million
Reducing Long Term Unemployment	£1.5 million
Access to Jobs Fund	£2 million
Flexible Training Fund	£4 million
Job Creation, Employer Engagement and Support	£2.5 million
TOTAL	£12.5 million

School Improvement including Careers, Education, Information, Advice and Guidance (CEIAG) £3.5m

- Provide a consistent approach to school improvement to bring every school up to a ‘Good’ or ‘Outstanding’ (in Ofsted terms); and
- Develop a Quality Careers Education Information, Advice and Guidance Standard for Tees Valley.

Due to Significant investment over the past 10 years our Further Education accommodation is of high quality. Therefore, we do not foresee a need for significant capital investment. We will consider supporting activity to.

Improve and Sustain 16+ Facilities £3.5m

- Upgrade equipment or buildings to ensure sustainability of the 16+ provision; and
- Other provisions to enable industry standard training to be developed and specialisation.



Teesside Media and Innovation Village

Delivering Infrastructure, Supporting Business Growth, Education Employment & Skills, Transport and Culture

The aim is to deliver a branded city scale iconic regeneration scheme that will attract inward investment and business activities. Ensuring the Town Centre remains vibrant and able to respond to contemporary market opportunities and demand; creating a sustainable economic platform which may include but not be limited to:-

- development of offices / education / student accommodation. Discussions have commenced with relocating Cleveland College of Art and Design within the development, freeing up their existing site in Linthorpe for redevelopment;
- relocation of the Bus Station to provide for excellent bus facilities, that will encourage bus patronage, and be well linked to the main retail and commercial areas for pedestrians;
- sustainable redevelopment of the existing Bus Station site with high quality contemporary architecture and a new public space; and
- new retail floor space, although this will be limited to support the Town Centre and ensure that new investment does not result in activity being displaced with no added value.

It is key that the new development provides opportunities that enhance and bolster business investment that adds value to the Tees Valley overall and, at this stage, the focus is on attracting investments that are involved in media and innovation (including digital). We will continue to support the development of this scheme.

Other Funding Opportunities:

- Restructuring Facility Fund
- Higher Education Funding Council for England
- Department for Work and Pensions
- Private Sector

Culture

Strategic Economic Plan Aim

To build cultural vibrancy in our communities and change external perceptions of Tees Valley through the arts, cultural and leisure offer whilst creating places that attract and retain businesses and business leaders and make the area more attractive to investors, workers and visitors.

Our resources £11 million



■ ESIF Commitments ■ New TVCA Allocation

Our Investment Priorities

The arts, culture and tourism offer has an important role to play in shaping the quality of the Tees Valley proposition. Tees Valley must maximise the use of its cultural assets to contribute to economic growth, create vibrant communities, improve social inclusion and raise the aspirations of young people.

Develop and maximise the use of cultural assets

We will invest in proposals that;

- Build capacity across art forms and heritage – visual arts, dance, literature, performance, music and other cultural activity towards enabling a successful 2025 bid to be Capital of Culture;

- Provide training, skills development and sustainable jobs in the cultural, creative and tourism sectors to develop our offer and strengthen our economy whilst creating a stronger career structure for those working in these sectors;
- Build audiences through innovative creative digital technologies, partnerships and communications;
- Build capacity in cultural venues, events and festivals, and in the workforce required to improve social inclusion and community cohesion; and
- Develop cultural venues and attractions which have the greatest potential to build the visitor economy and facilitate greater engagement.

Grow the Visitor Economy

- Develop businesses, tourism products and experiences which meet potential visitor needs; and
- Build awareness of those products and experiences through building destination marketing capacity.

River Tees – A Natural, Cultural and Economic Asset

The River Tees has been at the centre of economic development for centuries. It plays a vital role in the modern economy of our region, providing international connections through the port. But it could also play a stronger role as a focus for riverside development, tourism, culture and leisure.

Many of our most successful developments are occurring alongside the river: including Middlehaven in Middlesbrough, and the North Shore development in Stockton. The Stockton International Riverside Festival (SIRF) illustrates the opportunities to use the River Tees as a focus for events. There is great demand nationally for tourism and leisure experiences around and on water, creating a deep sense of well-being and health, for outdoor activities, adventure, and nature tourism.

“The creation of the Combined Authority provides an opportunity to bring together the opportunities for the full length of the River, building on the exciting opportunities being pursued by the individual councils and their partners, and the private sector.”



Other Funding Opportunities:v

- Arts Council England
- Heritage Lottery Fund
- Historic England
- Museums National Portfolio Organisations
- European Funding
- Private Sector
- Trusts and Foundations
- Visit Britain: Discover England Fund

Hartlepool Innovation and Skills Quarter

Hartlepool Borough Council and Cleveland College of Art and Design (CCAD) are working in partnership to create a cluster of creative industries businesses within the Church Street area of Hartlepool, whilst offering graduates from CCAD and Hartlepool College of Further Education the opportunity to establish their own businesses.

The proposals redefine the area with additional day time uses, an improved environment and a vibrant creative industries economy. Key improvements to the transport network encourage greater access and will also help to unlock growth and encourage investment.

CCAD's location, operation and areas of expertise in the creative industries sector provide an opportunity to enhance the area's potential as an economic growth area for the town. The Combined Authority has recently invested £8.3 million into a new build to bring CCAD up to date and open up new opportunities, all linked to the vision for this part of Hartlepool.

Further development will:

- Create small scale, high quality, affordable workspace and studio space;
- Develop a centre for creative entrepreneurs. A physical hub of activity to help entrepreneurs develop their own ideas and opportunities and drive them forward;
- The development of live/work units within the area; and
- Connectivity and streetscape improvements within Church Street to tie in the new CCAD campus to the town centre and Marina.

Hartlepool Borough Council are working up the business case for this project to enter formal due diligence. We have committed £5.5 million of Combined Authority resources as part of a package of investment including European Funding, the Heritage Lottery Fund and private sector investment.

We will continue to support further development of the skills and cultural quarter in Hartlepool.

Transport

Strategic Economic Plan Aim

To improve connectivity within Tees Valley, across the North, the UK and the world

Our resources £115 million



■ New TVCA Allocation ■ TVCA Commitments

Other Funding Opportunities:

- Network Rail
- Transport for North
- Highways England
- Large Local Majors Transport Fund
- Local Transport Plan Integrated Transport Block
- National Productivity Investment Fund
- Highways Maintenance Challenge Fund
- Private Sector
- Department for Transport (DfT) Access Fund (Next Round in 2020)

Our Investment Priorities

Transport is central to helping us deliver our Strategic Economic Plan, so we are also developing a Strategic Transport Plan 'Connecting the Tees Valley'. The consultation on the framework for this plan closed at the end of January, with a view to the Mayor launching a draft plan in May 2017 for further consultation. This plan sets out how we want to improve the local transport system and identifies a number of priorities:

National Rail	<ul style="list-style-type: none"> ■ Darlington Station Growth Hub, including new platforms, re-modelling of the track layout and capacity improvements at Darlington rail station, ready for High Speed Rail and Northern Powerhouse Rail ■ Major Upgrade of the rail line from Northallerton to Middlesbrough/Teesport including gauge clearance for larger shipping containers, journey time reductions and the re-modelling of Middlesbrough Station, prior to future electrification
Major Roads	<ul style="list-style-type: none"> ■ Additional road crossing of the River Tees, ensuring that the A19 will meet the "mile per minute" objective ■ Improved east-west road connectivity along the A66 corridor from the A1(M) to the international gateway at Teesport
Connecting Centres	<ul style="list-style-type: none"> ■ Track and platform capacity, and passenger facility improvements at Middlesbrough station ■ Improvements to local rail services, including increased frequency, newer trains and potentially new stations ■ Tees Valley bus network ■ Improved ticketing ■ Local road network
Supporting Economic Growth	<ul style="list-style-type: none"> ■ Local Major Transport Schemes already in development, such as Middlehaven Dock Bridge ■ Highway schemes targeted at locations where growth would be constrained without action ■ Provide road capacity for individual large scale planning applications
Local Journeys	<ul style="list-style-type: none"> ■ Tees Valley cycle network ■ Tees Valley walking network ■ Tees Valley bus network ■ Connect Tees Valley marketing and information

In addition to the strategic transport priorities that were set out in the Devolution Deal and listed above, we will consider opportunities arising from the Buses Bill to improve public transport and we will be bringing forward interventions on our local road network to improve capacity, resilience and reliability for private (passenger and freight) and public transport users.

As a starting point, we have agreed a draft Key Route Network for the Tees Valley, which represents the network across which we will identify and deliver proposals to support economic and housing development when required, using funding within the Investment Plan and from a variety of sources. The pipeline of projects across this network will be set out in our Area Action Plan, a key supporting document to the Strategic Transport Plan.

We will continue to work closely to support the viability and growth of key assets such as Durham Tees Valley Airport and the port of Tees and Hartlepool.

We will support short term development around the airport, including the development of routes (particularly stronger connections with Manchester and Newcastle) and the longer term opportunities the planned Heathrow extension may present.

“One of the main challenges in Tees Valley is that a number of our schemes are too large to be funded locally and too small to be access the available National funding.”

We have a number of large priorities and our resources are not substantial enough to deliver them all. Our investments must complement and integrate with a number of other funding sources that will be used to deliver activities and our focus will be on developing schemes to the point where they can access other larger funding opportunities.

Durham Tees Valley Airport

Durham Tees Valley Airport is a significant asset for the Tees Valley and its wider catchment area. It offers critical connections for local business and opportunities for visitors and tourists – inward and outward. Flights to Schiphol airport provide onward international connections around the globe, and flights to Aberdeen support vital commercial links for the offshore sector.

But, in a challenging environment for many regional airports, in recent years it has faced declining passenger numbers. The Airport have therefore set out an ambitious masterplan to secure a sustainable business-focused airport community, a centre for aviation services and specialist employment. The Combined Authority is working with the Airport to support this development programme; including through support for enabling infrastructure, helping to secure new routes and improved facilities, and opening up new sites for business to locate near an international gateway.



Enabling Infrastructure

Strategic Economic Plan Aim

To unlock key strategic sites for business growth or housing, revitalise our town centres and urban core and bring forward surplus public and blighted brownfield land for development.

Our Resources - £41 million



■ New TVCA Allocation ■ TVCA Commitments

Our Investment Priorities

We have a number of priorities and our resources are not substantial enough to deliver them all. Our investments must complement and integrate with a number of other funding sources and, in this area in particular, we have a real opportunity to accelerate development through use of our new borrowing powers. We will focus resources on interventions that can attract private sector investment and offer a financial return on investment; so that funds can be recycled and reinvested over time. We will use the opportunities presented to us through the Land Commission and the Mayoral Development Corporation to bring forward difficult sites.

Unlock Sites for Business or Housing Development

- Site purchase and assembly;
- Site remediation;
- Site Infrastructure; and
- Focus on bringing forward brownfield land.

We will prioritise Enterprise Zone sites

Rejuvenate our Town Centres

- Enhance town centres as the location for professional and business services jobs (our highest jobs growth area);
- Provide suitable space for business growth; and
- Support creative, cultural, digital and professional & business services.



Delivering the Potential of the South Tees Site

In October 2015 Tees Valley faced one of its greatest economic shocks, with the closure of the SSI Redcar Steelworks. Our immediate response was to support the individuals and businesses affected by this devastating loss. The SSI Task Force has since provided over 14,000 training courses to support people to find alternative work. Over 260 new business have been created.

The former steelworks sits within a much wider area, covering approximately 4,500 areas of industrial land. The site as a whole offers huge opportunities: with access to infrastructure, good road and rail connections, one of Europe's largest ports and a catchment area with a significant skilled workforce. The steel industry itself retains a strong presence on the site and across the wider Tees Valley and the site will also host MGT Teesside the largest biomass power station in the world.

The South Tees area is a complex site which needs careful oversight. It was therefore agreed with government in the devolution deal that the South Tees area would benefit from the first Mayoral Development Corporation outside London, to be established by the Combined Authority under new legal powers.

Once the South Tees Development Corporation is formally established this summer, it will bring forward a masterplan for the future development of the site.

“Working with the Combined Authority, Redcar and Cleveland Council and private sector partners, the development corporation will identify the need for strategic investments in the site to unlock opportunities for substantial inward investment and will lead the delivery of the redevelopment of an exciting new industrial area for Tees Valley.”

The SSI-owned sites themselves create particular challenges. The government has made a formal commitment that no responsibilities will be transferred locally without appropriate and specific funding and has initially provided resources to ensure the safe management of the site. We will continue to work closely with the government to ensure liabilities and risks are managed effectively.

Housing

Strategic Economic Plan Aim

To accelerate the supply of good quality homes across the whole housing market.

Opportunities and Challenges

In October 2015 the Tees Valley Devolution Deal was signed with government. Currently the Combined Authority has no specific funds to invest in housing. However, as part of the devolution deal government committed to working with the Combined Authority to explore further devolution of housing funding. Housing supply is very important to the Tees Valley and has been identified as a critical issue to be addressed if we are to realise our ambitions for economy, place, people and communities. Tees Valley has the opportunity to become the flagship for modern methods of construction and is committed to working to accelerate the building of new homes. This will ensure we can continue to attract and retain the right people to grow our economy and provide a quality of housing choice that ensures our places and communities flourish. We therefore plan to seek specific central funding to accelerate housing delivery.

The Proposal

Recognising that the housing market is very different in different parts of the country, we are working with the Homes and Communities Agency to develop proposals for a Tees Valley accelerated housing delivery programme 2017-2021. Such an accelerated programme would seek to address the historic and current under-supply of new homes, and would aim to provide much needed market diversity. Such an accelerated programme could also provide a platform for creating new jobs and investment in skills, stimulating innovation in the way we build the homes we need, bringing forward more difficult brownfield sites and stimulating appetite for new sources of investment. We will propose that the mix of tenure for homes will be determined locally to reflect local economic priorities, market conditions and complementary local infrastructure investment plans.

When this proposal has been agreed and the position on the housing programme is clear, we will review the potential for working in new ways and will develop specific proposals to accelerate the building of new homes across our area.



Next Steps

This is the Tees Valley Combined Authority's first Investment Plan. It will be reviewed again in Autumn 2017. This revision will take into account progress over the next 6 months, including opportunities for further devolution and the development of our Sector Action Plans. The review will also be the first opportunity to reflect the priorities and manifesto of the incoming Mayor. The Investment Plan will thereafter be subject to annual review, for unanimous agreement by the Cabinet under the terms of our new constitution.

In the meantime, the Combined Authority will continue to develop the Plan, and to deliver a pipeline of high quality projects. From April 2017, and quarterly thereafter, we will accept Expressions of Interest for proposals in line with this Investment Plan. We will conduct appraisals and prioritise the projects for investment, identifying those which might require support from our Project Development Fund. We will bring forward proposals for agreement by Cabinet as and when they are ready, ensuring that individual projects are rooted in the Strategic Economic Plan, and consistent with the Investment Plan. We will ensure constant dialogue with our partners, and regular oversight by the Mayor and other Cabinet members, the Local Enterprise Partnership, and our constituent councils.

This Investment Plan is a vital platform for us to invest in projects that will make a real difference across our area. We look forward to working with our existing and potential new partners, in planning and developing ambitious and transformational projects that we can deliver together, for the benefit of our communities and everyone who lives, works, studies in or visits our area.

For further information about this Investment Plan, or any aspect of the Tees Valley Combined Authority's role and responsibilities, contact:

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Supported and endorsed by
Tees Valley Local Enterprise Partnership