

AGENDA ITEM 8**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**2nd JULY 2021**REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES****INVESTMENT PLAN 2019-29 REFRESH****SUMMARY**

The TVCA Investment Plan covers the period from 1 April 2019 to 31 March 2029. Where the annual Investment Plan proposal involves changes to funding priorities or commitments to projects and proposals already agreed, unanimous approval of Cabinet is required to enact the change.

The Investment Plan is subject to an annual review process that takes place as part of the Annual Budget setting cycle. Following the Mayoral Elections in May 2021, the Mayor has requested a further Investment Plan refresh to take cognisance of the impact of Covid-19 and to consolidate funding received outside of the Investment Plan into the Investment Plan going forward.

Following on from this report Cabinet members will see a separate agenda item for the Qtr. 4 Budget Report and Medium-Term Financial Plan Update to meet statutory requirements.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Consider and approve the Investment Plan 2019-2029 refresh set out in this report and Appendix 1.

DETAIL**Background**

1. We commit to reviewing the Investment Plan 2019-29 annually and produced a one year on report in January 2020. This was refreshed through the 2021-22 Annual Budget and Medium-Term Financial Plan update reports.
2. Following the Mayoral Elections in May 2021, the Mayor has requested a further Investment Plan refresh to take cognisance of the impact of Covid-19 and to consolidate funding received outside of the Investment Plan into the Investment Plan going forward.
3. The income and expenditure which will remain outside of the Investment Plan relates to concessionary fares, any commercial projects, research & evaluation, core costs and costs of borrowing.
4. The refreshed Investment Plan Table 2019-29 is set out at **Appendix 1**.

Impact of Covid-19

5. Covid-19 had a severe and immediate impact on all aspects of the economy.
6. Tees Valley has seen unemployment levels rise to 28,074 in May 2021, only slightly lower than the peak figure of 29,759 in May 2020; a significant increase on the pre-Covid figure of 17,706. Additionally, the Tees Valley saw furlough levels peak at 83,300 employments (July 20) which was a take-up rate of 30%, in line with the UK average.
7. There is the potential that unemployment numbers could rise further, with the Bank of England and Office for Budget Responsibility projecting the peak of unemployment later in 2021, when the Coronavirus Job Retention Scheme is expected to come to an end.
8. This Investment Plan refresh reflects economic analysis of impact, and priorities identified through our Covid recovery planning work, including:
 - **Confident People: Confident Business** – ensuring businesses and communities are resilient and confident during re-opening.
 - **Education Skills and Jobs** – providing access to training and employment support, including through the use of digital technology.
 - **Agile companies and competitive workers** – helping businesses to adapt and supporting strategic supply chains.
 - **Building blocks for growth** – bringing forward strategic investment that support jobs and growth.
 - **Bringing business home** – leading the way, delivering trade and investment opportunities in an era of structural change.
9. Clear evidence-based aims and outcomes will be identified for all investments to ensure maximum value for money.

FINANCIAL IMPLICATIONS

Investment Plan Refresh

10. There are proposed changes to allocations to address the impact of Covid to ensure we provide the necessary investment to restart our economy.
11. A summary of the key changes and rationale is provided below:

	Transport	Business Growth	Innovation & Clean Growth	Education, Employment & Skills	Place	Total
Project	£'000	£'000	£'000	£'000	£'000	£'000
Teesside Airport	10,000	0	0	0	0	10,000
Business Grants	0	5,000	0	0	0	5,000
IGF	0	0	0	0	10,000	10,000
Car Parking	0	0	0	0	-1,056	-1,056
Innovation Project	0	0	-9,250	0	0	-9,250
A689 Wynyard	-2,191	0	0	0	0	-2,191
Middlesbrough Station	-2,492	0	0	0	0	-2,492
EES Strategy	0	0	0	-4,216	0	-4,216
TOTAL	5,317	5,000	-9,250	-4,216	8,944	5,795

The net movement (£5.8m) is funded from an additional borrowing requirement and is factored into the overall Investment Plan funding requirements at Appendix 1.

Transport

12. The impact of Covid-19 has been significant on the aviation industry across the country with extended periods of time without passengers and flights. UK airports are set to lose at least £2.6billion in revenue in summer 2021 alone according to the Airport Operators Association, a body representing airports across the country. The operational impact of Covid-19 on the Airport requires the necessary support to ensure the delivery of the 10-year business plan. This investment plan refresh proposes an additional allocation of £10m over 2 years for Teesside International Airport to enable the Airport to stay on track for its recovery plan, in spite of the ongoing global pandemic taking place over the past 18 months.
13. The A689 Wynyard and Middlesbrough Station projects have been subsumed within the Integrated Transport Programme and formalised previously. The requirement for separate allocations outside of the Investment Plan is no longer required and therefore these allocations are proposed to be released to fund the Covid-19 response.

Education, Employment and Skills

14. The £4.2m allocation for Education, Employment and Skills relates to the programme of activity associated with the previous Strategy ending 2021 and this underspend is proposed to be reallocated to support the Covid-19 recovery.

Business Growth

15. An additional £5m allocated for SME Capital Grant Scheme is proposed to support businesses to recover and grow following the impact of Covid-19.

Innovation & Clean Growth

16. The £9.25m related to an allocation outside of the Investment Plan in respect of innovation projects that have now been superseded by the Innovation programme within the investment plan and therefore this allocation can be released to support Covid recovery planning.

Place

17. An additional allocation of £10m is proposed for the Indigenous Growth Fund to enhance place-based regeneration and allow Local Authorities to support their Covid recovery plans alongside any allocations they receive directly from Government.
18. The Car parking allocation has been amended to reflect finalised estimates and plans received from Local Authority areas.
19. The Culture theme remains unchanged.

Consolidation of Allocations within Investment Plan

20. This latest Investment Plan refresh has now consolidated all additional allocations received since the last update. A reconciliation of the financial position because of these changes is provided below:

Item	Total
Investment Plan	£ 588.2m
Less 2019/2020	-£ 66.9m
Add Consolidated Items	£ 665.0m
Add Adjustments for Funding Changes	£ 44.8m
Add Investment Plan Refresh Items (paras 11-16)	£ 5.8m
Total	£1,236.9m

21. The funding of the Investment Plan incorporates targets for Government UK Shared Prosperity Funding and future Transport Allocations. All additional funding received by the Combined Authority has been accounted for as part of the 2021-22 budget setting report. There are further allocations that have not been finalised and will be incorporated into the Medium-Term Financial Plan update, following confirmation of funding. These allocation areas are:
- Teesside Freeport
 - Teesworks Offshore Manufacturing Centre (TOMC)
 - Community Renewal Fund
 - Levelling Up Fund
 - Cabinet items approved between Medium Term Financial Plan drafts where applicable.
22. Work continues to lobby and inform future Government allocations as part of the Combined Authority risk management arrangements. Reports have been produced and submitted to Government to inform Levelling Up, Comprehensive Spending Review and UK Shared Prosperity Funding as part of this activity. All reports have been shared with Local Authority Officers and Audit and Governance Committee Members.

LEGAL IMPLICATIONS

23. The recommendation in this report is in line with the TVCA constitution and requirement for any changes to the Investment Plan to be via unanimous approval of Cabinet.
24. There are no further legal implications associated with the recommendations and content of this report.

RISK ASSESSMENT

25. The TVCA Group risk register incorporates the strategic financial and funding risks for the Combined Authority. This is regularly updated and scrutinised by Audit and Governance Committee to provide assurance to Cabinet on the ongoing proactive management of these risks associated with the Investment Plan. A summary of the applicable corporate risks is provided below:
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| C01 | Failure to secure agreement on new future investment priorities. |
| C02 | Impact of EU Exit including financial uncertainty and economic instability that affects national policy in relation to devolution and impact on ability to progress TVCA devolution strategy; in particular uncertainty on UK successor regime to ESIF funding (UKSPF) and the loss of Local Growth Funding. |
| C03 | Failure to secure sufficient additional resources to fund proposed activity. |

- C04 Transport specific funding secured from government is not sufficient to meet TVCA programme aspirations e.g., significant local contributions sought that are not affordable and/or TCF not awarded on ongoing annual basis.
- C11-A Failure to deliver the existing pipeline of funding commitments and achieve targeted spend.
- C11-B Failure to manage funding in order to deliver maximum value for money.

CONSULTATION & COMMUNICATION

26. Tees Valley Management Group, Chief Executives and the Local Enterprise Partnership have been consulted on this report.

EQUALITY & DIVERSITY

27. There are no equality and diversity implications associated with the recommendations in this report. Specific proposals associated with business cases and Investment Plan funding draw down will consider these implications where applicable.

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