

Tees Valley Combined Authority Overview and Scrutiny Committee

Agenda

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Date: Thursday, 7th January, 2021 at 10:30 am

Venue: Microsoft Teams Meeting

Membership

Cllr Stephenson (Chair) (Stockton-on-Tees Borough Council)
Cllr Hobson (Vice Chair) (Middlesbrough Council)
Cllr Barlow (Stockton-on-Tees Borough Council)
Cllr Brown (Hartlepool Borough Council)
Cllr Harker (Darlington Borough Council)
Cllr Jeffrey (Redcar and Cleveland Borough Council)
Cllr Jones (Redcar and Cleveland Borough Council)
Cllr Jones (Darlington Borough Council)
Cllr Loynes (Hartlepool Borough Council)
Cllr Rathmell (Middlesbrough Council)
Cllr Renton (Darlington Borough Council)
Cllr Riordan (Stockton-on-Tees Borough Council)
Cllr Rooney (Middlesbrough Council)
Cllr Smith (Redcar and Cleveland Borough Council)
Cllr Smith (Redcar and Cleveland Borough Council)
Cllr Tenant (Hartlepool Borough Council)

AGENDA

PUBLIC

- 1 Apologies for absence**
- 2 Declarations of interest**
- 3 Minutes**
Minutes of the meeting held on Thursday, 12th November, 2020
- 4 Group Chief Executive's Update**
- 5 SQW Gateway Review**
- 6 Finance & Resources Sub Committee - Budget Consultation Report**
- 7 Delegated Decisions**



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8 Meetings and Forward Plan

9 Teesside International Airport - Update & Business Plan

CONFIDENTIAL

**10 Confidential Appendix to Teesside International Airport -
Update & Business Plan**



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Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting, including the opportunities available for any member of the public to speak at the meeting; or for details of access to the meeting for disabled people, please

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Tees Valley Combined Authority Declaration of Interests Procedures

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the [Combined Authority's Constitution](#) under the "Code of Conduct for Members" (Appendix 8).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The constituent councils of the Combined Authority are closely integrated with its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict

of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

Tees Valley Combined Authority Overview and Scrutiny Committee

**Microsoft Teams Meeting
Thursday, 12th November, 2020 at 10:00 am.**

Present:

Cllr Stephenson (Chair) (Stockton-on-Tees Borough Council)
Cllr Hobson (Vice Chair) (Middlesbrough Council)
Cllr Harker (Darlington Borough Council)
Cllr Jeffrey (Redcar and Cleveland Borough Council)
Cllr Jones (Redcar and Cleveland Borough Council)
Cllr Jones (Darlington Borough Council)
Cllr Rathmell (Middlesbrough Council)
Cllr Renton (Darlington Borough Council)
Cllr Riordan (Stockton-on-Tees Borough Council)
Cllr Rooney (Middlesbrough Council)
Cllr Smith (Redcar and Cleveland Borough Council)
Cllr Johnson (Stockton-on-Tees Borough Council)
Cllr John Tennant (Hartlepool Borough Council)

Officers:

Gary MacDonald - Group Director of Finance & Resources
Alison Fellows - Group Director of Commercial & Delivery
Chris Beck - Director of Business & Skills
Tom Bryant - Head of Transport
Charlie Kemp - Culture Manager
Peter Judge – Group Chief Legal Officer (Monitoring Officer)
Sharon Jones - Governance & Scrutiny Officer
Sally Henry - Governance Officer

Also in attendance:

Mayor Andy Preston - Mayor of Middlesbrough
Cllr Shane Moore - Leader of Hartlepool Borough Council
Annabel Turpin - Head of Culture Taskforce

Apologies for absence:

Cllr Barlow (Stockton-on-Tees Borough Council)

1 Declarations of interest

Cllr Eileen Johnson declared an interest as a Member of the Board of Teesside International Airport.

2 Minutes

The minutes from the meeting held on 13th August were agreed as a true record.

3 Business Growth Portfolio Update: Mayor Andy Preston

A paper was circulated giving an overview of the Business Growth Portfolio.

It was advised that setting up the funding for the different schemes and grants varies as they all take different times to put in place. The general Business Support Grants for SMEs are now all up and running. The SME grant scheme has a small backlog at the moment, but officers are working through this. In

terms of Covid support grants, officers have tried to react as quickly as possible to get much needed support to businesses. Some of these grants have been turned around in less than a week. Officers continue to work closely with the Local Authorities to achieve this.

It was agreed that a breakdown of Apprenticeship Grants by Local Authority will be circulated to the Committee to show how many apprenticeships have been created and how many are intended moving forward. **Action: CB**

The Apprenticeship grants referred to in this report is an Additional £1m that was provided specifically for Covid support. The scheme is now closed as it is fully allocated. There is separate ongoing support for apprenticeships provide by TVCA

Members:

- commented that that the report circulated showed a number of different ways that support can be accessed and that it seemed to be a complex system, especially if you also take into account grants that may be available via the Local Authorities, and asked if this could be made simpler for businesses who need access to support. The committee was advised that this is because traditionally business support has been delivered through different discreet projects. To make this easier for business TVCA has implemented the Business Gateway, which provides one place to go in order to navigate the system and access the right support. The Business Advisors have now been brought in house and can give advice around all streams of available funding with one telephone number and one email address.
- questioned whether there was any information regarding funding that was previously received as European Funding and how this would be replaced post Brexit. The Committee was advised that TVCA has been told the UK Shared Prosperity Fund will replace EU funding but officers are not aware that anything concrete had been announced at this stage. Officers are working hard to get clarity on funding available to support economic growth. Members noted the need to keep pressure on Government to clarify future funding proposals.
- questioned whether the figure in the report of £9200 cost per job has been benchmarked across the UK for comparison. The committee was advised that the average cost per job across the UK is between £10-15k. Care needs to be taken when comparing with other regions as this region has a lot more engineering type jobs, which tend to cost more than other roles such as service centre jobs etc. It is therefore not always a straight comparison.
- asked if the money that has been provided for Covid support can be increased as demand for support increases. The committee was advised that the direct Covid support costs for businesses are managed by Local Authorities. The additional money to the Combined Authority is from the Peer Network and the Business Support Programmes. There is no additional funding coming in or expected in. Officers are keeping focus on businesses that want to grow and supporting them to do this. The

TVCA team are also working closely with LA business teams to ensure the work we are doing is joined up.

- noted that the structure diagram on Page 70 of the report is incorrect as it shows the Tees Valley Business Growth Board reports to the Tees Valley Mayor's office rather than TVCA Cabinet. A correction note will be published to show the correct management groups and structure.

In terms of measuring success, the Committee was advised that TVCA measure the impact of non Covid related activity on an ongoing basis. A full impact assessment will be done on Business Compass and will continue to closely monitor all projects. With regard to Covid related impact, the team will be looking at this over the coming months but we will need to wait until the pandemic is subsiding to allow us to see the full impact. Impact analysis for projects that are already available will be shared with the Committee.

Action: CB

Alongside this work a company called SQW has been procured by central Government to report on first 5 years of all Combined Authorities across the country. Officers have been working with them in production of this report and will publish this once it's finalised.

It was resolved: that the content of the report be noted

4 Group Chief Executive's Update

A paper detailed significant developments at the Combined Authority since the last meeting.

Questions were asked regarding the following areas of the report:

- When will the Economic Recovery Plan be available publicly? The Committee was advised that the plan is based on medium term & long-term impacts on the economy. TVCA officers are working with Government to maximise global resource and put in place building blocks for future growth. The impact of Covid needs to be included within the plan, and uncertainties remain due to the second wave and current additional lockdown instructions. There is currently no agreed date for publication for the plan.
- Can the submission to the comprehensive spending review be shared with the Committee? The submission from TVCA will be shared.
Action: CB. The Committee were advised that there are multiple submissions to this from many areas across the region, including each Local Authority.
- is the Teesside International Airport item on November Cabinet agenda a public paper? It was confirmed that it would be public with some confidential Appendices.
- Darlington Link Road - TVCA are currently exploring a funding package for the project. The cost is estimated at around £200m and is being examined to see if this can be broken down to different funding sources.

Officers are in discussions with DFT, Homes England, Highways England and Darlington Council on this matter. The business case submission for the additional Tees Crossing has just been received by DFT, so it is a difficult time to ask for further funding for the region.

Resolved: that the report be noted

5 Culture Taskforce Update: Annabel Turpin

A presentation was delivered giving an update on the work of the Culture Taskforce. The presentation will be circulated to members and published following the meeting. **Action: Governance Team**

Members asked:

- why Local Authority Officers are not involved in the new panel given that Local Authorities are lead enablers with culture & tourism activities and have their own culture programmes? It was confirmed that the portfolio officer from the lead council for that theme would be on the Panel and would act as a conduit to the other council officers, but it was advised that it was felt the Panel should be balanced so as to give confidence to the sector. The Chair of the Task Force and TVCA Officers continue to work closely, and regularly with the Local Authority Culture Officers.
- what mechanisms are being used to ensure we get buy in on culture across Tees Valley as a whole? The committee were advised there are numerous networks within the Combined Authority and Local Authorities which are used to promote opportunities in the widest possible way. For example, Tees Valley Business channel, Local Authority partners, Social Media channels. TVCA uses these to actively make sure opportunities are promoted across region. Officers also monitor the responses received to inform the approach going forward. There is good engagement from harder to reach businesses, which is really positive.

Resolved: that the details of the presentation are noted.

6 Acquisition of South Tees Site Company Limited by South Tees Development Corporation

A report was circulated regarding the Acquisition of South Tees Site Company Limited by South Tees Development Corporation.

A member asked how scrap from the demolition on site would be managed. It was advised that officers are currently working within a demolition framework and any agreements with contractors would include details for removal of scrap. The contract is out to tender now for the demolition contract and has made it very explicit that tenders must clearly show arrangements for scrap.

A member stated that the Committee feels they have not been consulted thus far on STSC Acquisition. There was no opportunity to review the Business case or the transition piece and it would be useful to know where there might be future opportunity to review progress. GM confirmed that the papers relating to the key decisions had been sent to the Committee in the usual way and it was open to Committee to examine the decision if they feel appropriate. He also referred the Committee to the report which shows that in accordance with the

Assurance Framework scrutiny of decision making will be provided by this Committee.

Cllr Jefferey questioned the robustness of STDC Governance arrangements as a recent Freedom of Information request has ruled that the appointment of an MP to the STDC Board was not made in line with the Constitution.

The Monitoring Officer advised the Committee that he had undertaken a review as part of the Authority's Fol procedures and confirmed that, as with councils, the Constitution of the Authority is agreed by Cabinet. The appointment was unanimously agreed by Cabinet Members. It is entirely appropriate for Cabinet to make that determination.

The split of financing between Government funding and tax payer's funding was questioned. It was explained that the local element in the table in the report was the figure of £44m – everything else in the table is from central Government. The percentage split is 14.5% local and 85.5% central funding.

The Committee requested that they are able to see and comment on the quarterly monitoring reports to Government, as per their role in the Assurance Framework. It was agreed that this can be done, reports are produced quarterly in arrears. **Action: GM**

Timescales for decontamination and demolition are given as 3-4 years. It was questioned if this will inhibit inward investors. The Committee was advised that there is a clear strategy for development of zones within the site and investors will be well aware of this. TVCA has had a lot of positive enquiries and there is no suggestion to date that this is a problem for inward investors.

It was agreed that once site tours are able to start up again the Committee will be invited to take part in a tour and gain a better understanding of plans for the site. **Action: Governance Team**

Resolved: that the report be noted

7 Delegated Decisions

A report was circulated detailing the Delegated Decisions made by the Combined Authority since the last meeting.

Resolved: that the report be noted.

8 Meetings and Forward Plan

The next meeting is scheduled for 7th January 2021

AGENDA ITEM 4**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY OVERVIEW & SCRUTINY COMMITTEE****7th JANUARY 2020****REPORT OF THE GROUP CHIEF EXECUTIVE****GROUP CHIEF EXECUTIVE'S UPDATE****SUMMARY**

This report provides a general update on the key activities of the Combined Authority since the last Committee meeting, which are not covered in other reports to this meeting.

RECOMMENDATIONS

It is recommended that the Committee notes the detail of the report.

DETAIL**TEESSIDE INTERNATIONAL AIRPORT**

1. Teesside International Airport has secured a new summer service operated by TUI, the UK's biggest holiday company. TUI is set to return to the airport to offer weekly flights to Palma, Majorca, from summer 2022, with tickets on sale from 5th November.
2. The airport also secured a deal with Loganair, which is returning to the airport after it previously left in 2018. It will operate up to seven flights per week to Dublin and Belfast City, six flights per week to Aberdeen, three per week to Cornwall Airport Newquay and twice weekly to Jersey. Tickets are on sale now for all routes, with Aberdeen and Belfast City to commence 1 February 2021 and routes to Jersey, Newquay and Dublin set to begin from summer 2021.
3. The airport has also hit a major milestone in its 10-year turnaround plan by securing Ryanair as a low-cost carrier. Tickets are on sale now for its services to Alicante and Palma, Majorca, which will be flying from June 1 2021."

CULTURE AND TOURISM

4. The independent Cultural Industries and Visitor Economy Recovery Task Force, established by the Tees Valley Mayor in June, has now met three times, providing insights and guidance to shape the detail and delivery of the £1m sector-specific Recovery Programme.

5. As part of the Cultural Industries & Visitor Economy Recovery Programme, on 19th October, the Combined Authority launched a £350,000 grant fund for businesses in the culture sector. The Cultural Development & Innovation Fund will support businesses to build resilience by making step-changes in business activity with a view to diversifying income streams, protecting jobs and growing sustainability.
6. A second phase of Enjoy Tees Valley's 'Welcome Back' campaign activity, designed to drive resident and visitor engagement with hospitality and visitor sector businesses, launched in late August and ran for six weeks. The campaign was targeted within a 1-2hour drive time encompassing the North East and Yorkshire. Activity pushed out across digital and placed in key regional publications in print and online saw impressions of over 437,000. The short Welcome Back film alone received over 70,000 complete views on YouTube as well as featuring across social media and digital adverts, which received an impressive click through rate of over 6% (industry average is 2.5%). During the campaign period engagement on enjoyteesvalley.com converted to Things to do and Eating out content reflecting the campaign call to action. The campaign has been refined and re-targeted in response to changing local guidance and restrictions to ensure engagement with viable markets.
7. The National Lottery Heritage Fund and Arts Council England have approved an extension for the Tees Valley Great Place programme to enable live projects to adapt to the current climate and to ensure learning and best practice can be incorporated into the work of the Task Force. The extension has also enabled the development of a new programme which has been designed to respond to specific challenges faced by cultural venues and freelancers at this time. The Reconnecting Communities programme will enable the delivery of a series of pilot projects, testing new approaches for renewing audience/ visitor confidence and attendance. Artists / freelancers will be commissioned to deliver the projects.

EDUCATION, EMPLOYMENT AND SKILLS

8. The Combined Authority has received applications for Kickstart job placements from 159 businesses to create 501 placements. These are spread across the whole of the Tees Valley and across all sectors. We are awaiting final confirmation of the grant to be provided from the Department of Work & Pensions (DWP).
9. The successful Routes to Work programme has been extended by providing an additional £900,000 that will maintain the current level of provision through to March 2022. The eligibility criteria have also been widened to ensure more Tees Valley residents access the support they need.
10. The Combined Authority has now had confirmation of European Social Funding (ESF) to the tune of £1.9m that will deliver a new programme of Skills support to Tees Valley businesses. The Combined Authority has provided just under £1m in match funding for this project. The project will deliver through to December 2023.

RESEARCH, DEVELOPMENT, INNOVATION & ENERGY

11. Tees Valley has been announced as the UK's Hydrogen Transport Hub, this means large deployment of hydrogen vehicles across trains, port, HGV, and buses. The funding associated with this Hub is subject to the Comprehensive Spending Review however. Department for Transport (DfT) have commissioned a report which will detail the scale of projects which will be delivered. The Combined Authority is working closely with DfT to scope the scale and ambition of the Hydrogen Transport Hub.
12. The Combined Authority has also submitted the planning application for the two hydrogen refuelling stations being built at MPI and TeesPort, the result of these is expected in November.
13. The North East Yorkshire and Humber Energy Hub, which is managed by the Combined Authority, will be awarded up to a fifth of a £300m fund to deliver energy efficiency upgrades to fuel poor households. The fund, which will be operational in 2021 and will run until March 2022, will provide grants to local authorities to deliver large scale housing retrofit programmes. The Combined Authority has been working with all the local authorities and Local Enterprise Partnerships in the North East Yorkshire and Humber and has submitted its strategy to deliver the funds to the Department for Business, Energy and Industrial Strategy (BEIS). This strategy has been shared with all the Local Authorities, and the final funding allocation to the Combined Authority is expected soon.
14. The Combined Authority has been successful in bidding for £1.18m from the European Regional Development Fund (ERDF) to deliver a £500,000 energy efficiency grant scheme and advice and guidance for Tees Valley SMEs. The programme, which will be operational from the end of 2020, will provide grants to SMEs to install energy efficiency equipment, and also an intensive advice and guidance programme to provide independent advice to businesses helping them save energy and money. The support will run until May 2023.
15. Net Zero Teesside, in partnership with the Combined Authority and NEPIC, has submitted its £multi-million bid into the Industrial Strategy Challenge Fund. The outcome of this bid will be determined by the end of the year. Meanwhile the Combined Authority, with NEPIC and bp, have submitted an additional bid into this programme for a Net Zero Cluster Plan, the funding determinations have been made on this project and the outcomes will be made public in the coming weeks.
16. The Combined Authority partnered with Innovate UK to deliver an innovation week from 12th to 16th of October. The week was very successful with 488 businesses attending. Focused sessions were held on digital, bio-lifesciences and clean growth, with speakers from Alstom, Cummins, Northern Rail, DfT, BEIS, bp, Animmersion, Double 11, Digital City, MPI, TWI, Fujifilm Diosynth, CPI, Teesside University, Jacobs, Cubic and many others.

BUSINESS GROWTH

17. The Combined Authority Business Investment team has commenced its work with the Department for International Trade (DIT) on a High Potential Opportunity (HPO)

proposition focused on the areas key strengths in Bio Economy manufacturing. The first workshop was held in October with sector specialists from DIT, UK Research and Innovation, alongside local stakeholders including Fujifilm Diosynth, Nepic, CPI, The Wilton Centre and Teesside University. The workshop focussed on the opportunities in Bio Pharmaceuticals, Bio Feedstocks and Fuels, and Bio Food manufacturing. The team will pull together a proposition based on Tees Valley's existing substantial manufacturing base, skills provision, infrastructure and innovation support. This will be marketed through DIT's network of overseas offices to promote the opportunity globally.

18. Demand for the Tees Valley Capital grant scheme remains strong following the approval of funding through the Combined Authority's Investment Plan funds. The £6m funding approvals to date aims to support private sector investment of over £41m of capital investment, creating and safeguarding over 650 jobs. The pipeline of applications includes expressions of interest for a further £5.115m of grant against project expenditure of £28.419m and 569 jobs. The grant panel is scheduled to meet again at the end of November to review the full applications received.

PLACE

19. In July 2020, the Ministry of Housing, Communities & Local Government (MHCLG) confirmed an allocation of £19.3m to support the development and delivery of at least 1,000 homes on Brownfield sites in Tees Valley over the Parliamentary term 2020-2025. With the agreement of our constituent local authorities, the Combined Authority has committed to delivering at least 1,000 and up to 1,800 homes. It is intended that the programme will contribute to the levelling up agenda, targeting funding to help ease the viability issues that brownfield projects face, alongside supporting wider economic development interventions.
20. 20 sites have initially been identified requesting over £30m, which have the potential to attract over £332m investment into Tees Valley, delivering 3,286 new homes. This would bring back into use 48 hectares of brownfield land that has stalled due to funding viability and low land values, making it commercially unattractive to develop.
21. There are currently eight housing schemes in the pipeline for year 1 (2020/21), which will commit £13.1m of our overall allocation (68%) and deliver 762 new homes. Year 1 delivery must start by March 2021 to enable the allocation of £4.7m to be spent and TVCA are currently working with local authorities to assess the value for money and deliverability of the year 1 schemes.
22. Local authorities are continuing to identify appropriate Brownfield sites and schemes demonstrating the highest additionality in terms of economic benefits will be prioritised. There will be an element of 'over programme' to reduce the delivery risk and prepare priority business cases to put us in a strong position to secure additional funding from the national programme should the opportunity arise.

FINANCIAL IMPLICATIONS

23. There are no financial implications to this report.

LEGAL IMPLICATIONS

24. There are no legal implications to this report.

RISK ASSESSMENT

25. This report is an update and therefore is categorised as low risk.

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AGENDA ITEM 5**REPORT TO THE TEES VALLEY COMBINED AUTHORITY
OVERVIEW & SCRUTINY COMMITTEE**7th JANUARY 2021**REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES****DEVOLUTION INVESTMENT FUND GATEWAY REVIEW – SQW GATEWAY
REVIEW REPORT AND COMPLEMENTARY REPORT****SUMMARY**

The Tees Valley Investment Fund is a 30 year, £15 million per annum fund that was secured through the Devolution Deal that was signed with Government in October 2015. The Devolution Deal mandated that Government would undertake a Gateway Review every five years of the fund to assess progress and make future funding decisions – a payment by results model.

The first evaluation of the Tees Valley Investment Fund is due to take place in early 2021. As outlined in the Devolution Deal documents, an independent evaluation of the economic impact of the Tees Valley Investment Fund will form the basis of the Gateway Review and support the Government's decision making on future funding levels. This independent evaluation is led by the nationally appointed economics consultancy SQW Ltd.

The purpose of this report is to provide detail of the Gateway Review process to Overview & Scrutiny Committee and to present both the Gateway Review Report, led and produced by SQW, provided at **Appendix 1**, and the Complementary Report, led and produced by the Combined Authority, provided at **Appendix 2**, both of which will inform the Government Gateway Review of the Tees Valley Investment Fund.

RECOMMENDATIONS

It is recommended that the Overview & Scrutiny Committee:

- i. Note the detail of the Gateway Review Process;
- ii. Note the content of the Complementary Report and findings of the Gateway Review Report;
- iii. Provide any feedback on the matters covered.

GATEWAY REVIEW PROCESS

1. The Government has agreed to long-term investment to stimulate economic growth through the signing of Devolution Deals. The Tees Valley Investment Funds secured

through the Devolution Deal signed in October 2015 are worth £15m per year over 30 years.

2. The Devolution Deal requires the Combined Authority to go through a Gateway Review every five years of the fund to assess progress with a decision on future years funding provided by Government.
3. As outlined in the Devolution Deal documents, an independent evaluation of the economic impact of the Investment Fund spend in each area will help inform the Gateway Review and support Government's decision making on future funding levels. Economics consultancy SQW Ltd have been appointed at a national level to lead on this work. Consideration will be given to the economic benefits and impact of investments supported through Devolution Investment Funds, including whether projects have been delivered on time and to budget.
4. SQW's assessment will inform the Gateway Review and help Government decide on future funding levels, their findings have been concluded in a Gateway Review Report which is provided at **Appendix 1**. In addition, to SQW's Gateway Review Report the Combined Authority have also produced a Complementary Report, provided at **Appendix 2**, which gives further local context to the SQW Gateway Review Report, including a high-level strategic narrative of the approach taken towards the Tees Valley Investment Fund.
5. Both reports were formally submitted to Government by the Combined Authority on the 4 December 2020, following approval from the Combined Authority Cabinet, at the Cabinet meeting held on 27 November 2020. Governmental departments will now begin to assess the progress and impact of Combined Authority Investment Fund expenditure based on the evidence outlined in the reports. This will be undertaken by a Cross-Whitehall Review.
6. Findings from the Cross-Whitehall Review will inform a Challenge Session between Government and the Combined Authority. The Challenge Session will provide an opportunity for the Combined Authority to give further context, highlight key steps and detail progress achieved in the management of the Investment Funds. It will also present the opportunity to discuss, collaboratively, long term investment plans.
7. Following the Challenge session, recommendations will be submitted to Ministers based on the Gateway Review Report, Complementary Report, Cross-Whitehall Review and the Challenge Sessions. Ministers are expected to utilise the recommendations to provide a decision on future funding, commencing from the financial year 2021-22.
8. To date, no formal timetable for the Gateway Review and Challenge Session has been established with Government, however, this is expected to be resolved imminently with the Combined Authority liaising with Government to establish a mutually agreeable timetable. The Gateway Review process is likely to be concluded early in 2021 with a decision on future years funding no later than the end of the financial year.

SQW GATEWAY REVIEW REPORT

9. The purpose of the SQW Gateway Review Report is to evaluate the impact of locally-appraised interventions on economic growth to inform the Gateway Review and Ministerial decision-making on future funding. This is specifically focused on the devolved £15m per year Investment Fund. The focus of the report is, therefore, on the impact of activities supported by the Investment Fund, or the progress in delivery where it is too early for impact to be established.
10. Seventeen interventions had been in receipt of Investment Fund grant by December 2019. However, it was agreed with SQW that it would not be proportionate to evaluate all 17 interventions in detail. As such, eleven interventions were selected to be subject to detailed evaluation (impact, progress or progress plus) with six subject to 'expenditure only' analysis by the evaluators. The projects and programmes selected for intervention are noted in the table below:

Intervention	Evaluation Level
BoHo 'The Digital City'	Progress
Collaborative Networks	Progress
Liberty Steel	Progress
TeesAMP	Impact
Broadband	Expenditure
Indigenous Growth Fund	Progress
STDC Site Investigations	Expenditure
Education and Careers Programme	Progress
Employment and Skills Programme	Progress
Hartlepool Centre of Excellence	Expenditure
Hartlepool ISQ 2	Progress
Northern School of Art	Progress
YEI Extension	Expenditure
Demand Responsive Transport	Expenditure
Middlesbrough Rail Station	Progress
Culture and Tourism Programme	Expenditure
Teesside Airport Purchase	Progress Plus

11. Definitions of the evaluation categories are provided below:

- **The impact evaluation** of TeesAMP takes into account additionality to provide evidence on the gross and net impacts of the intervention. It will also include the progress evaluation evidence noted below.
 - **Progress evaluations** provide evidence on expenditure against budget, whether delivery milestones have been met, whether anticipated outputs and intermediate outcomes have been delivered, and whether the project has delivered, or remains on course to deliver, against its original objectives.
 - **The 'Progress plus evaluation** of the Teesside Airport intervention includes all of the above plus consultations with representatives from wider partner and stakeholder organisations related to the specific intervention. The emphasis of these consultations will be on evidencing early impacts and anticipated effects of the intervention.
 - **Expenditure** only analysis provides evidence on expenditure against budget.
12. The Gateway Review Report draws on, and is accompanied by, four Evidence Reports, which provide more detailed findings from the evaluation. These Reports are:
- **Evidence Report 1:** Capacity Development and Partnership Working, which provides evidence on how the Investment Fund has contributed to local economic development capacity and partnership working
 - **Evidence Report 2:** Progress Evaluation, which sets out the findings on progress of the Investment Fund against intended spend, activity and output profiles
 - **Evidence Report 3:** TeesAMP Impact Evaluation, which presents findings on the early effects of TeesAMP
 - **Evidence Report 4:** Teesside Airport Progress Plus Evaluation, which presents findings on the progress and emerging effects of the Teesside International Airport Purchase and Development Programme.
13. The research for the evaluation reports draws on: in-depth consultations with, and an e-survey of, key local economic development stakeholders; a review of monitoring data provided by the Combined Authority; consultations with project managers of the Investment Fund supported interventions; and consultations with those involved in the delivery of/benefiting from the TeesAMP and Teesside International Airport interventions.
14. As noted, the Gateway Review Report is provided at **Appendix 1**, Key findings from the report include:
- Capacity development and partnership working has improved since the Devolution Deal was signed, and the Tees Valley Investment Fund has contributed positively towards this. 93% of e-survey respondents reported that the fund delivered a positive effect.

- Although spend on the seventeen interventions sponsored by the Investment Fund which were selected for evaluation in 2018 (at the beginning of SQW's work) were generally behind forecast spend, with 83% of expenditure incurred to date, additional interventions supported by the Investment Fund, which have been accelerated, have resulted in total Investment Fund expenditure equalling 130% of what was forecast in 2018.
- The two major schemes supported by the Investment Fund and subject to an enhanced evaluation by SQW, (Tees Advanced Manufacturing Park ("TeesAMP") and the Airport) have both seen positive progress:
 - TeesAMP – the outputs presented in the business case have been delivered, and there are early positive signs of the impact of the investment on the image and profile of both Middlesbrough and Tees Valley.
 - Airport – progress has been made on securing new routes, and there has been a positive response witnessed at the airport in a challenging climate given the Covid-19 pandemic. Enabling infrastructure spend is taking place with regards to the significant opportunity Southside represents, however, given the uncertainty surrounding the ongoing pandemic there will need to be an ongoing focus on the ten-year targets outlined in the Airport business case.

COMBINED AUTHORITY COMPLEMENTARY REPORT

15. The Combined Authority led Complementary Report is provided at **Appendix 2**, the purpose of this document is to set out a broader narrative of the last five years and to draw attention to any relevant issues that have not been included in the independent Gateway Review Report, it is intended to support the Gateway Review Report, and has therefore been submitted to Government alongside the Gateway Review Report.
16. Both the Gateway Review Report and the Complementary Report will form the basis of the Government's review into the impact and management of the Combined Authority Investment Fund. The Complementary Report is of particular value as it provides the opportunity to present information to Government in a way which is tailored to the local context of the Investment Funds.
17. The Complementary Report also provides localities with the opportunity to highlight local challenges and the progress made in working towards overcoming them. It is a means of providing a high-level strategic narrative of the approach adopted to managing Investment Funds. The report therefore contains information that should be considered in the Gateway Review, but which does not fall within the remit of the Gateway Review Report. Key messages from the draft Complementary report provided at **Appendix 2**, include:
 - The long term security of The Tees Valley Investment Fund and the Devolution Deal powers have allowed the Combined Authority to leverage our resources to borrow against future funds, enabling the Combined Authority to deliver transformational activity sooner rather than delivering smaller scale and less impactful activities based on a smaller annual allocation.

- The Combined Authority does not distinguish between different sources of funding for the purpose of Investment Planning, other than recognising that some sources of funding are restricted in what they can be used for. The Tees Valley Investment Plan therefore covers all funding sources and income currently available to the Combined Authority, not just the funds provided through the Devolution Deal.
- The Investment Plan identifies the ten-year investment priorities against all Combined Authority sources of income and applies our Assurance Framework consistently across all funds within the Investment Plan. The Assurance Framework clearly identifies the processes for securing funds from the Combined Authority and the requirements placed on delivery partners once their projects have been approved. This means that any organisation seeking funding from the Combined Authority does not need to concern itself with the source of the funding and differing processes – highlighting our flexible approach towards funding.
- Our approach to investment will see the Combined Authority deliver significant benefits to Tees Valley. The total impact of delivering the Investment Plan will be in the order of 16,475 direct jobs and £1.48billion of additional cumulative annual output (GVA), over its lifetime.

NEXT STEPS

18. Payment of next tranche of Investment Funds will be dependent on a successful outcome of the Gateway Review. Government is committed to continuing to work with the Tees Valley Combined Authority on the evaluation of its Investment Funds agreed as part of the Devolution Deal, the next key step will be to set out a mutually agreeable timetable for the route through to the formal Gateway Review, including arranging the Challenge Session. It is anticipated that there will be a final Ministerial decision on the next tranche of Investment Funds prior to the start of the financial year 2021-22.

FINANCIAL IMPLICATIONS

19. The major financial implication relating to the Gateway Review will be the Ministerial decision, informed by the Gateway Review, on future years of Devolution Investment Funds. A successful Gateway Review will unlock the next five years of Devolution Funds which paid out at £15m per annum would equate to £75m.

LEGAL IMPLICATIONS

20. None related to this report.

RISK ASSESSMENT

21. The overall risk associated with the Gateway Review is that the Combined Authority does not pass the Government Gateway process to unlock further years of devolution deal funding. Steps have been undertaken to ensure that the Gateway Review is positive, the Combined Authority will continue to work with Government to ensure appropriate measures are taken. The first informal feedback expected imminently will give the Combined Authority the opportunity to respond to any emerging queries Government may have and rectify any outstanding issues. Close

monitoring will be undertaken, an update report will be provided outlining our progress through the Gateway Review and the steps taken to respond to any queries which arise.

CONSULTATION & COMMUNICATION

22. Detailed consultation has been undertaken in respect of the production of the SQW Gateway Review Report, this has included in-depth consultations with, and an e-survey of, key local economic development stakeholders; consultations with project managers of the Investment Fund supported interventions; and consultations with those involved in the delivery of interventions subject to detailed evaluations.
23. The Gateway Review Report and Complementary Report have been subject to consultation with the following in advance of 27 November Cabinet: Tees Valley Management Group and Tees Valley Chief Executives.

EQUALITY & DIVERSITY

24. None related to this report.

LOCAL ENTERPRISE PARTNERSHIP

25. This item was considered at the LEP meeting in advance of 27 November Cabinet.

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Independent Evaluation of Local Growth Interventions:

Tees Valley

Final Report



Contents

Executive Summary.....	i
1. Introduction.....	1
2. Policy and economic context.....	5
3. Overview of the Investment Fund	13
4. Assessment of progress.....	20
5. Assessment of economic impacts.....	33
6. Wider contribution of the Investment Fund	40
Annex A: Gateway Review Indicators	A-1
Annex B: SQW Peer Review comments.....	B-1
Annex C: Economic forecasts and out-turns.....	C-1

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Date: 04/12/2020

Disclaimer

This report takes into account the particular instructions and requirements of our client. It is not intended for, and should not be relied upon by, any third party and no responsibility is undertaken to any third party. Whilst SQW has used reasonable care and skill throughout, it is unable to warrant either the accuracy or completeness of information supplied by the client or third parties, and it does not accept responsibility for any legal, commercial or other consequences that arise from its use.

Executive Summary

1. A series of Growth and City Devolution Deals have empowered local partners across the UK to design and deliver programmes to develop their local economies. As part of this approach to local economic growth, 'localities' across the UK including Tees Valley were awarded long-term investment funds.
2. After the first five years of the Investment Fund, the Government will undertake a Gateway Review to assess progress to date and decide on the next five-year tranche of funding. The Gateway Review will be informed by an evaluation undertaken by the independent National Evaluation Panel, which comprises a consortium of evaluators led by SQW. The headline findings from this evaluation are set out below.

The Investment Fund

3. In October 2015, Tees Valley Unlimited, the five local authorities and the UK Government signed the Tees Valley Devolution Deal. This Deal provided the basis for the creation of the Tees Valley Combined Authority (TVCA) and the 30-year, £450 million Investment Fund which is the subject of this evaluation. No specific economic growth objectives were defined at the level of the Investment Fund. Rather, the Investment Fund is an integral part of the Combined Authority's broader £588m Investment Plan and forms a key element of TVCA's 'Single Pot' approach.
4. Seventeen Investment Fund sponsored interventions are in scope for the evaluation. They cover a broad range of themes including education and skills, superfast broadband, innovation, physical regeneration and development, and culture/image/place-making. Importantly, and reflecting the flexibility which the Fund provides, the Investment Fund sponsored suite of interventions has evolved since the One Year Out evaluation report in early 2020. Seven 'additional interventions' have received/been approved to receive Investment Fund monies before the Gateway Review.

Expenditure

5. Expenditure to the end of June 2020 on the 17 interventions in scope was lower than planned at the Baseline Report stage (£65.7m, 83% of expected spend). However, there was a further £17.3m of expenditure on the 'additional interventions.' Therefore, across all interventions, total Fund expenditure stood at £83m by the end of Q1 2020/21. Two interventions account for 80% of all expenditure to date: Teesside International Airport; and the SSI land acquisition (actual Fund spend of £51.7m and £15m respectively).
6. TVCA made the strategic decision to borrow against the Fund in order to secure additional resource, which has been used to bring forward the delivery of larger, potentially more impactful projects with greater cumulative outputs and outcomes than would otherwise have

been the case. It has also brought forward spend. Total expenditure of £83m up until the end of June 2020 represents c.130% of the government grant provided to date.

7. Looking forwards, a further £53m of Investment Fund monies are expected to be spent by the end of the Gateway Review 1 period (up to the end of March 2021). In addition, more than £200m of expenditure has already been approved for beyond the first Gateway Review.

Delivery progress

8. The TeesAMP intervention is complete and the CA successfully concluded the purchase of Teesside International Airport in early 2019. However, it is still 'early days' for the majority of the remaining 'live' interventions. This reflects a combination of: intervention start dates which were often late in the Gateway Review period; delays in finalising designs and commencing construction; and relatively long delivery periods for the revenue-based programmes.
9. Delivery and outputs are on track for two of the sponsored interventions: TeesAMP; and Teesside International Airport. The latter accounts for 62% of total Investment Fund expenditure to the end of June 2020, so this is important in the context of the overall performance of the Investment Fund programme. Delivery across the remaining interventions has been delayed for a variety of reasons, including: lower than expected levels of initial demand; challenges in securing national match funding; and the impact of Covid-19.
10. Despite this, a wide range of outputs have already been achieved. These include safeguarding/creating over 400 jobs, supporting 340 people into work, engaging 886 businesses in careers programmes, and supporting 63 schools and colleges with careers related activity.
11. All interventions are expected to deliver against their core objectives, although there have been some changes in delivery to reflect expected shifts in the post-Covid-19 operating environment.

Economic impacts

12. It is too early to quantify *net* economic impacts in terms of new/safeguarded jobs and net additional GVA generated. However, there is encouraging *emerging* evidence on beneficial economic impacts:
 - TeesAMP – the intervention successfully delivered 11ha of land remediated and 16,722m² of high quality advanced manufacturing floorspace on budget and (almost) on time. There are positive early signs of beneficial economic impacts as seven of the new industrial units have been let. These are capable of accommodating c.140 employees, generating c. £8m in annual GVA. Longer term impacts on cluster development and networking are expected as TeesAMP develops a critical mass of activity involving tenant firms, the TWI and the recently announced Hydrogen Transport Centre. More broadly, there is also a wider

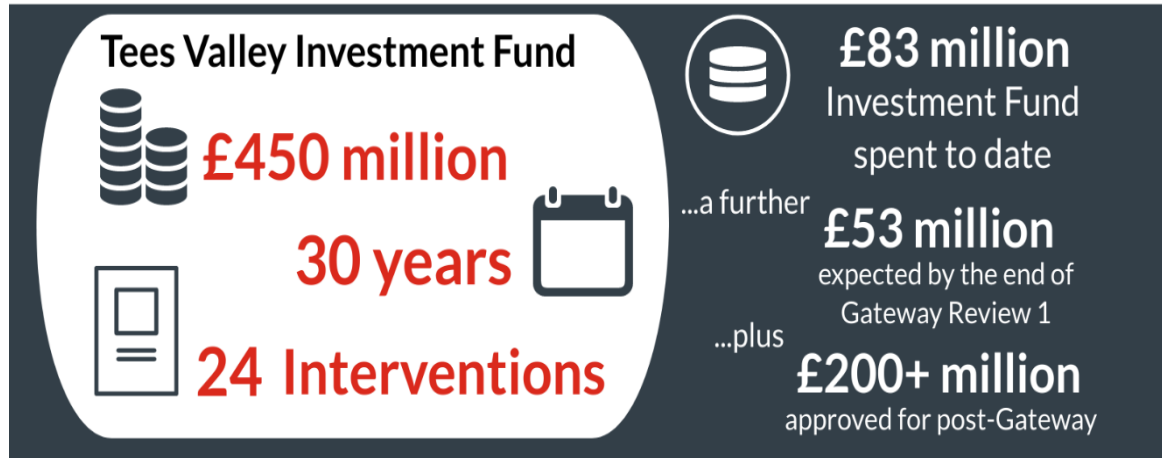
impact on the local commercial property market by demonstrating that high quality speculative industrial development can work in Middlesbrough.

- Teesside International Airport – the CA’s purchase of the airport safeguarded 400 jobs by preventing the closure of the airport. There has been encouraging progress in terms of securing new routes, but the pandemic presents a major risk to future passenger travel outcomes. Diversification through the development of more than 279,000m² of employment floorspace at the Southside Business Park will therefore be even more important to the long-term success of the intervention. Positively, enabling infrastructure works for Southside have started, but full development of the site will take time and significant further investment.
- The SSI land acquisition is the second largest Investment Fund sponsored intervention to date in monetary terms. As part of the broader Teesworks economic development initiative (formerly known as the South Tees Development Corporation), this project financed the purchase of the most immediately developable parcel of land on the site, totalling 1,420 acres and including almost 2km of prime river frontage.

Partnership working and capacity development

13. In addition to the project level benefits summarised above, the Investment Fund has also led to changes in the behaviours, perspectives, and decisions of actors across the Tees Valley economic development landscape.
14. Local economic development capacity and partnership working has improved since the Combined Authority was created. Devolution - and the Investment Fund resource specifically - has given partners greater incentive to collaborate because of the scale and flexibility of the funding available to use in delivering against locally identified priorities.
15. More broadly, the development of the ten year Investment Plan (in which the flexibility and borrowing potential of the Investment Fund plays a key role) illustrates strong stakeholder agreement about the long term economic priorities for Tees Valley. The interventions included within the Plan (and supported by the Fund) also highlight the partnership’s strategic shift over time towards supporting fewer, but larger projects which are of pan-Tees Valley significance.

Evaluation of the Tees Valley Investment Fund



Selected outputs achieved...

TeesAMP...

11ha land remediated
16,722 sq.m of
advanced manufacturing
space created
 ...33% let to date

Teesside

International
Airport...



400 jobs
safeguarded

Other interventions...

1 new to market product
886 businesses engaged
340 people into work
 **394** Apprenticeship
Support Grants

The Investment Fund has had a **positive effect**
on local economic development capacity



93%

of survey respondents reported that the Fund had
delivered a positive effect on...



- > overall local economic development capacity and partnership working
- > strategic-level decision making and planning
- > local commitment to develop and deliver economic growth interventions

SQW

1. Introduction

Investment Funds and the Gateway Review process

- 1.1** A series of Growth and City Devolution Deals have empowered local partners across the UK to design and deliver programmes to develop their local economies. This encourages partners within functional economic areas to work more closely together and to develop new governance arrangements.
- 1.2** As part of this approach to local economic growth, city regions and counties across the UK (referred to as ‘localities’) including Tees Valley were awarded long-term investment funds. Spend of these funds is allocated to locally appraised projects, providing localities with greater control over directing priority investment decisions. These projects are appraised in line with assurance processes agreed with central government.
- 1.3** Key features of the approach agreed between the UK government and localities include:
- A long-term funding commitment, with agreed overall (maximum) envelope: in the case of Tees Valley this is a 30 year commitment, to a value of £450 million, known locally as the Investment Fund
 - Confirmation of the first five years of funding, paid in annual instalments
 - A Gateway Review after the first five years, and then every five years subsequently; for Tees Valley, with the Investment Fund starting in 2016/17, this involves a Gateway Review by March 2021
 - An understanding that future funding beyond the first five years will be subject to the outcome of Gateway Reviews and Ministerial decision-making
 - Agreement that the Gateway Review is informed by a review of the impact of investments, undertaken by an independent National Evaluation Panel; in November 2016, an SQW-led consortium¹ was appointed to deliver the work of the National Evaluation Panel.

The National Evaluation Panel

- 1.4** The purpose of the National Evaluation Panel is to evaluate the impact of the locally-appraised interventions on economic growth in each locality to inform the Gateway Review and Ministerial decision-making on future funding. This is specifically focused on the Investment Fund, not the full ‘Deal’ awarded in each locality or indeed any other sources of funding used as part of Tees Valley’s ‘Single Pot’ Investment Plan-led approach.

¹ The consortium includes Cambridge Econometrics, Savills, Steer, and an Academic Group (Prof Martin Boddy, University of West of England; Prof Ron Martin, University of Cambridge; Prof Philip McCann, University of Sheffield; Prof Peter Tyler, University of Cambridge; and Prof Cecilia Wong, University of Manchester).

- 1.5** The evaluation focus is on the impact of activities supported by the Investment Fund, or the progress in delivery where it is too early for impact to be established. The work of the National Evaluation Panel does not cover the processes of decision-making and delivery mechanism(s) or advising on what projects should be supported.
- 1.6** In that context, the evaluators have not sought to assess the performance of the Tees Valley Combined Authority (TVCA). Additionally, the broader policy agenda of devolution and directly elected Mayors or the effectiveness (and impact) of key sub-regional strategies such as the Local Industrial Strategy or the Strategic Economic Plan, and the coverage and shape of the 10 year Tees Valley Investment Plan have not been covered by this evaluation process. However, the evaluators have made regular reference to these contextual factors throughout the various reports and together they provide an important backdrop to the Investment Fund and this evaluation.
- 1.7** The work of the National Evaluation Panel to inform the first Gateway Review has involved:
- the development of a National Evaluation Framework
 - the agreement of evaluation frameworks/plans for each locality, and subsequent delivery of the agreed evaluation research by the consortium, informed by monitoring data collected by the localities
 - evaluation reports on the impact and progress of the investment funds.
- 1.8** The National Evaluation Framework was approved by the Steering Group² of the National Evaluation Panel in August 2017. It established three principal strands of work:
- **Impact Evaluation:** assessing the extent to which interventions supported by the investment funds have generated economic outcomes and impacts for their locality
 - **Progress Evaluation:** where it is too early to evidence outcomes and impacts, even at an interim stage, an assessment of the progress that interventions have made in their delivery, for example, against anticipated expenditure, delivery milestones, and in generating outputs
 - **Capacity Development and Partnership Evaluation:** to provide qualitative evidence on the effects of the investment funds on local capacity development and partnership working.

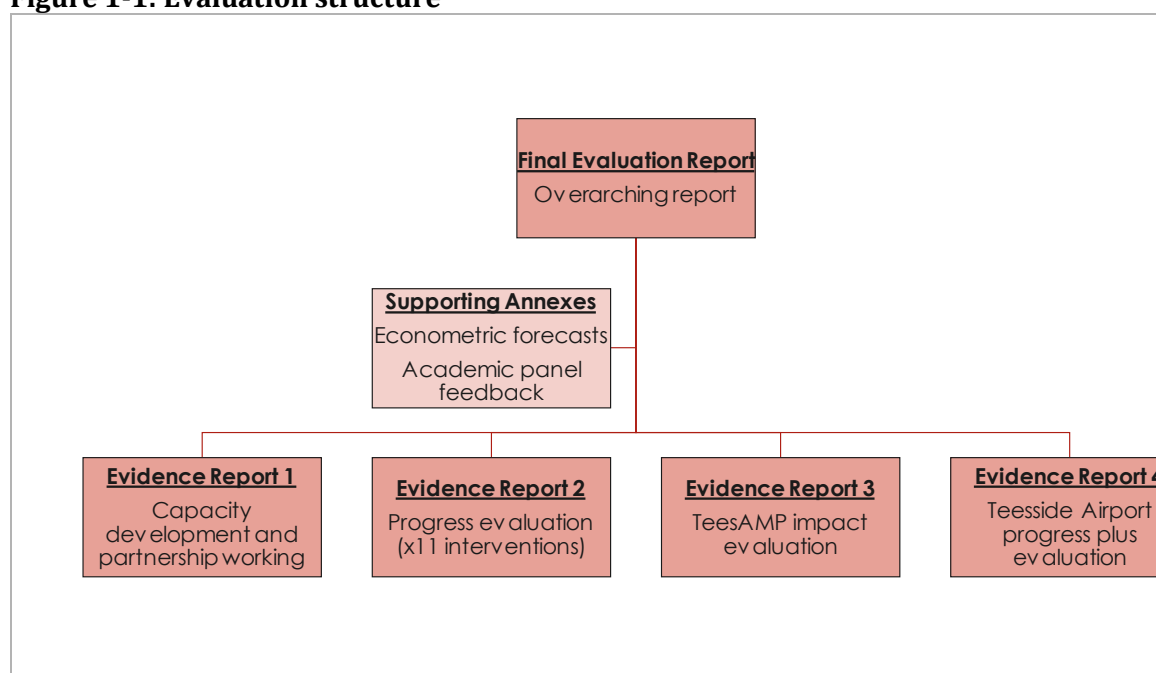
² The Steering Group comprises representatives from the 11 participating Localities (Glasgow City Region; Greater Cambridge Greater Manchester; Leeds City Region; Liverpool City Region; Tees Valley; Cambridgeshire and Peterborough; Cardiff Capital Region; Sheffield City Region; West Midlands; West of England) and the Cities and Local Growth Unit (CLGU) on behalf of the Government.

This overview report

1.9 This is the Final Report for the evaluation of the Tees Valley Investment Fund, to inform the first Gateway Review. It is the third and final output from the evaluation, following a Baseline Report in December 2019 and a One Year Out Report in March 2020. This Final Report draws on, and is accompanied by, four supporting Evidence Reports, which provide more detailed findings from the evaluation process. The suite of evaluation reports include the following:

- **Evidence Report 1: Capacity Development and Partnership Working**, which provides evidence on how the Investment Fund has contributed to local economic development capacity and partnership working
- **Evidence Report 2: Progress Evaluation**, which presents an assessment of the progress of the Investment Fund against intended spend, activity and output profiles
- **Evidence Report 3: TeesAMP Impact Evaluation**, which sets out findings on the early effects of TeesAMP
- **Evidence Report 4: Teesside Airport Progress Plus Evaluation**, which contains findings on the progress and emerging effects of the Teesside International Airport Purchase and Development Programme.

Figure 1-1: Evaluation structure



Source: SQW 2020

1.10 A draft version of this report was reviewed and commented on by Tees Valley Combined Authority, and the National Evaluation Panel's Academic Group in October 2020.

Covid-19

- 1.11** This evaluation covers the period from April 2016 to the end of June 2020, which includes the main period of disruption over March to June 2020 caused by the Covid-19 pandemic. The effects of Covid-19 on the delivery of the Investment Fund over this period, and the potential implications for outcomes in the future have been considered in the evaluation.
- 1.12** The key findings related to Covid-19 are summarised in this report, and set out in more detail in the accompanying Progress Evaluation Evidence Report.

Structure

1.13 The report is structured as follows:

- **Section 2. Policy and economic context** introduces Tees Valley and the Devolution Deal
- **Section 3. Overview of the Investment Fund** presents a summary of the Investment Fund and the interventions it sponsors
- **Section 4. Assessment of progress** contains data on expenditure and outputs
- **Section 5. Assessment of economic impacts** summarises the findings from the TeesAMP Impact Evaluation
- **Section 6. Wider contribution of the Investment Fund** explains the impact of the Investment Fund on capacity development and partnership working.

1.14 Three supporting annexes are provided:

- Annex A: Mapping and commentary on the Gateway Review indicators that are covered by the Final Report of the evaluation and its accompanying Evidence Papers
- Annex B: Peer Review comments from the Panel's Academic Group, and responses to these
- Annex C: Economic forecasts and out-turns.

2. Policy and economic context

Key Findings

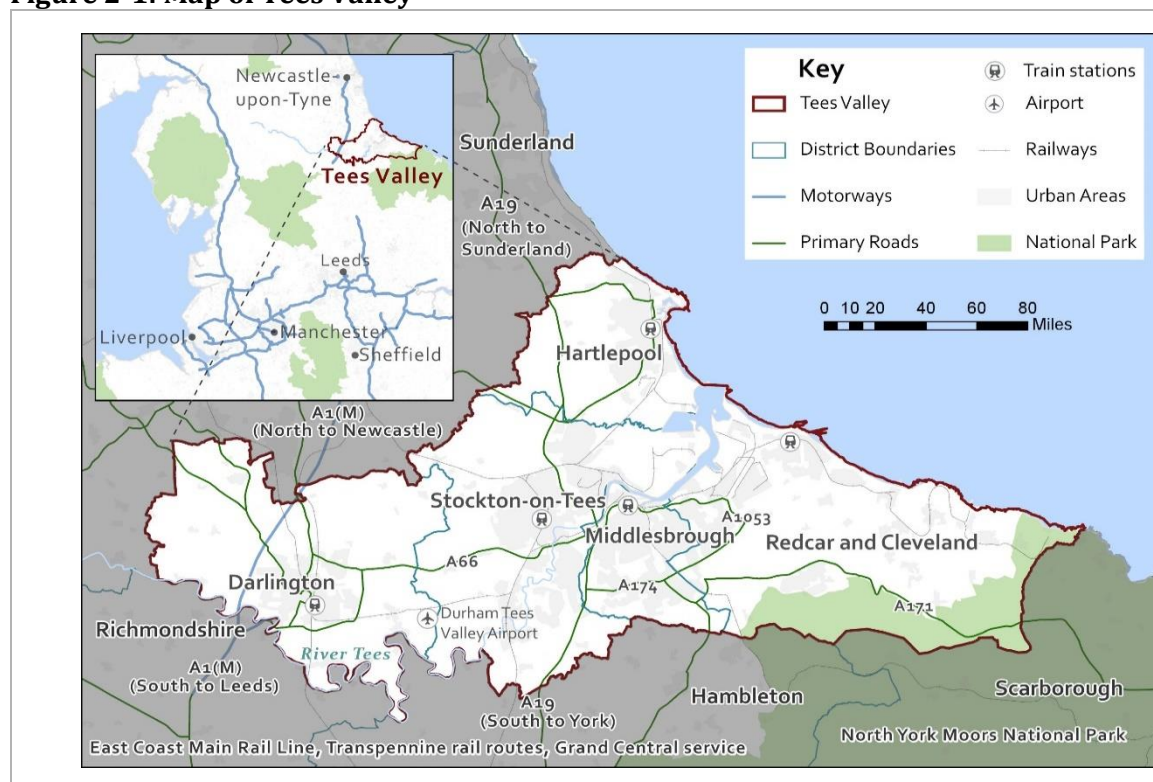
- The Tees Valley Devolution Deal was signed in October 2015. It included provision for a 30 year, £450 million devolved Investment Fund. The Deal also led to the creation of the Tees Valley Combined Authority and a directly elected Mayor.
- The TVCA published a ten year Investment Plan in 2019 which aims to create almost 17,000 jobs and £1.5bn of GVA by 2029. The Plan continues the ‘Single Pot’ approach presented in the earlier Strategic Economic Plan (SEP), and outlines the interventions that will be brought forward to implement the aims of the SEP. The Investment Fund is a core component of the Investment Plan. More recently, TVCA has published a Local Industrial Strategy.
- The Tees Valley economy has experienced a prolonged period of substantial structural change with the decline of traditional industrial strengths in areas such as steel production. As a consequence, Tees Valley has underperformed compared to the UK in terms of GVA, employment and productivity since the 1990s.
- Economic forecasting conducted as part of the evaluation shows that stubborn challenges remain, with employment, GVA and productivity all growing more slowly than forecast over 2013-2019 in Tees Valley. Whilst local productivity growth was stronger than the UK average, GVA and employment growth both underperformed relative to the UK.

The Tees Valley Devolution Deal and wider policy context

- 2.1** The Tees Valley Combined Authority (TVCA) area consists of five unitary authorities – Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees – grouped around the River Tees in the north east of England. It covers a mix of rural and urban areas, including part of the North York Moors National Park as shown at **Error! Reference source not found.** The Tees Valley is home to 676,000 people and generates an annual GVA of £14bn.³

³ Source: ONS population estimates and regional accounts

Figure 2-1: Map of Tees Valley



Source: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright [and database right] [2019]

- 2.2** Local stakeholders have been working together to promote economic development through formal arrangements since the Joint Strategy Unit and Tees Valley Development Company were both created in 1996. Following the merger of these two bodies, Tees Valley Unlimited was formed in 2010 and granted Local Enterprise Partnership (LEP) status in 2011.
- 2.3** The LEP developed a Strategic Economic Plan (SEP) for Tees Valley in 2014 (which was later refreshed in 2016) to help unlock the area's growth potential.⁴ Importantly for the evaluation, the SEP sets out the principle of a 'Single Pot' to which local and national funding sources contribute.
- 2.4** In October 2015, Tees Valley Unlimited, the five local authorities and the UK Government signed the Tees Valley Devolution Deal.⁵ This Deal provided the basis for the creation of the Tees Valley Combined Authority (TVCA) and, subsequently, a directly elected Mayor. Powers transferred to the Mayor and CA relate to employment and skills, transport, and planning. The Cabinet is the CA's main decision-making body. It is chaired by the elected Mayor, and the leaders of all five local authorities also have voting rights. The LEP Chair and private sector members attend Cabinet meetings as associate members in a non-voting capacity.
- 2.5** The devolved Investment Fund covered by this evaluation forms a key part of the Devolution Agreement. The Fund is a 30-year, £450 million commitment that was launched in September 2016. In negotiating the Deal, partners successfully made the case to the UK government that

⁴ See [TVCA \(2016\) Strategic Economic Plan 2016-2026](#)

⁵ Available at: <https://www.gov.uk/government/publications/tees-valley-devolution-deal>

the underlying economic challenges facing Tees Valley could not be tackled fully with a capital only fund. As a result, the Tees Valley Investment Fund includes an important revenue element – around half of the 17 interventions in scope include revenue expenditure - and this differentiates it from many of the other devolved Investment Funds.

- 2.6** Following the Devolution Deal and the election of the first Tees Valley major in 2017, the CA published a ten year Investment Plan in 2019.⁶ The Plan – which aims to create almost 17,000 jobs and £1.5bn of GVA by 2029 - continues the ‘Single Pot’ approach and outlines the interventions that will be brought forward to implement the aims of the SEP.
- 2.7** As discussed in Section 3, the Investment Fund is a key component of the 10 year Investment Plan. An updated assurance framework which contains the decision making process for all interventions funded by the Single Pot was also published.

Tees Valley Investment Plan 2019/20

The Investment Plan allocates £588m to transformational interventions which will have a significant impact on growing the Tees Valley economy. Each of the six themes contained in the Plan has funding pre-allocated to programmes and/or projects as shown below:

- **Transport** - £256.7m for integrated transport, plus £306.5m for wider interventions (incl. Local Transport Plan and concessionary fares)
- **Education, Employment and Skills** - c.£55m split between capital projects (£15m) and revenue projects (£40m), plus the £290m devolved Adult Education Budget
- **Business Growth** – c.£146.5m split between programmes (£30m), and sites and premises projects (£116.5m)
- **Culture and Tourism** - c.£60m split between programmes (£20m) and capital projects (£40m)
- **Research, Development & Innovation** - £20m for programmes/projects
- **Place** - £50m programme.

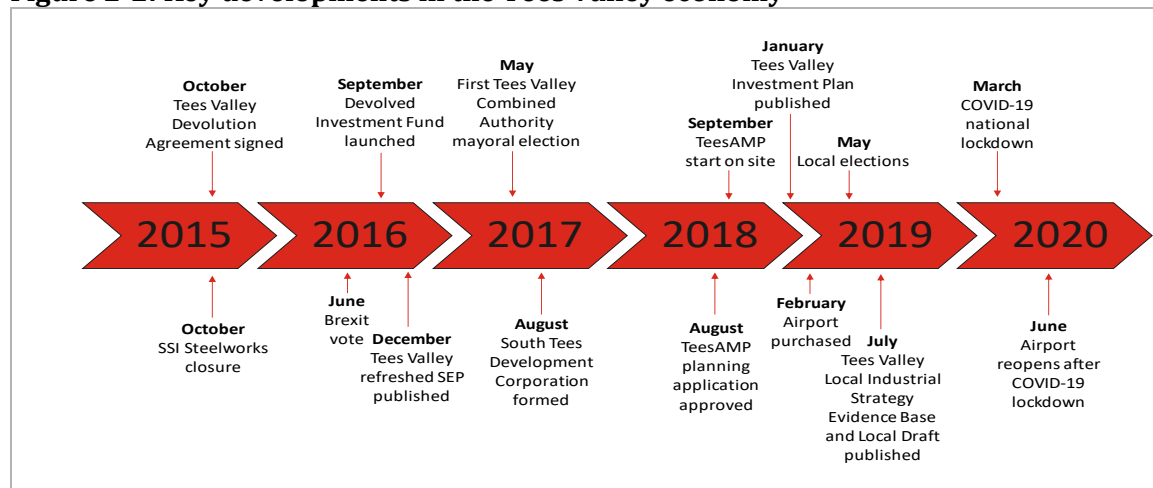
Source: Tees Valley Combined Authority, Tees Valley Investment Plan 2019/29

- 2.8** A draft of the Tees Valley Local Industrial Strategy (LIS) was subsequently agreed by the CA Cabinet in July 2019. This set out an overarching ambition to establish Tees Valley as a global leader in clean energy, low carbon and hydrogen.⁷ However, joint agreement with central government has been paused because of national political changes and, more recently, the Covid-19 outbreak.

⁶ See [TVCA \(2019\) Tees Valley Investment Plan 2019/29](#)

⁷ See [TVCA \(2020\) Tees Valley Local Industrial Strategy, Local Draft](#)

Figure 2-2: Key developments in the Tees Valley economy



Source: SQW 2020

The economic context

An overview of the Tees Valley economy

- 2.9** The Tees Valley economy has experienced a prolonged period of substantial structural change with the decline of traditional industrial strengths in areas such as steel.⁸ As a consequence, Tees Valley has underperformed compared to the UK in terms of GVA, employment and productivity since the 1990s. Despite encouraging progress in the 2000s, research has found that Tees Valley would be classed as a ‘less developed’ region for the 2021-27 European funding programme period.⁹
- 2.10** Looking to the economic future of Tees Valley - and reflecting the area’s industrial heritage - the draft LIS identifies five sectors with “*national strengths and niche opportunities*”: biosciences; chemicals and process; clean energy, low carbon and hydrogen; manufacturing (including services); and industrial digitalisation. These are supported by impressive Research and Technology Organisation (RTO) assets such as the Centre for Process Innovation, Materials Processing Institute and TWI (formerly The Welding Institute).
- 2.11** However, the latest annual data show that Tees Valley’s productivity (defined as GVA per job) of £47.2k is £6k below that of the UK average (£53.4k). Similarly, Tees Valley’s unemployment rate is over two percentage points higher than the UK average, whilst the percentage of the Working Age Population (WAP) with no formal qualifications is over three percentage points higher. The LEP area also underperforms in terms of innovation activity.¹⁰

⁸ [The Geography of the Tees Valley Economy \(2016\) Centre for Cities](#)

⁹ [UK Allocation for Cohesion Policy Post 2020 \(2019\) Conference of Peripheral Maritime Regions](#)

¹⁰ Benchmarking Local Innovation – The Innovation Geography of England (2019) Enterprise Research Centre

2.12 However, Tees Valley is not the only area in the North of England to face stubborn economic challenges. **Error! Reference source not found.** presents key figures for Tees Valley across various socio-economic indicators, compared to the Northern Powerhouse average.

Table 2-1: Socio-economic dashboard comparing current-date data with 2012

	Latest data			Change since 2012		
	Tees Valley	Northern Powerhouse	UK	Tees Valley	Northern Powerhouse	UK
Output and productivity						
GVA (balanced), £bn	£14	£371	£1,909	16%	22%	25%
GVA per job, £k/job	£47.2	£46.2	£53.4	12%	10%	11%
Business						
Business stock per 10,000 working-age population	639	597	706	19%	24%	22%
Business start-up rate per 10,000 working-age population	78	78	91	30%	46%	39%
Labour market						
Jobs, million	0.29	8.02	35.75	3%	11%	12%
Unemployment rate – aged 16-64	6.3%	4.4%	3.9%	-6.2 pp	-5.1 pp	-4.3 pp
Skills						
% with NVQ4+ - aged 16-64	29.6%	34.5%	40.2%	4.4 pp	5.2 pp	6.2 pp
% with no qualifications (NVQ) - aged 16-64	11.0%	8.7%	7.9%	-2.1 pp	-2.7 pp	-2.1 pp

Note: The 'latest data' represents 2018 for GVA, business demography, and jobs; 2020 for unemployment; and 2019 for skills.
Source: SQW analysis of data from ONS regional accounts, Inter-Departmental Business Register, Population Estimates, Jobs density, and the APS

2.13 Tees Valley performs slightly better than both the North East Region and the wider Northern Powerhouse in terms of productivity¹¹ (see 2.23 for further discussion). Encouragingly, Tees Valley has a notably higher business density than both comparators – although still below that of the UK. Whilst Tees Valley's GVA growth since 2012 was slower compared than that of the Northern Powerhouse and the UK, it was similar to the North East average. However, indicators for the labour market and skills show worse performance in Tees Valley. As noted below in the discussion on economic forecasts, these socio-economic data highlight the stubborn challenges facing Tees Valley.

2.14 In addition, the above data do not take into account the emerging impacts of Covid-19. Data from the UK government's Coronavirus Job Retention Scheme indicate that Tees Valley has slightly fewer (in relative terms) furloughed workers (29%) relative to the Northern

¹¹ GVA per job in the North East was £45.2k. Source: ONS

Powerhouse (31%) and the UK (32%). Nevertheless, the 83,300 Tees Valley workers furloughed is significant in absolute terms.¹²

- 2.15** The Combined Authority has developed an Economic Recovery Plan in response to Covid-19. The Plan centres around key themes of: building confidence amongst business and communities; supporting the development of skills and access to employment; developing agile and competitive companies; putting the building blocks in place for future growth; supporting ‘health for growth’; and ‘bringing business home’ – with a focus on key sectors and sites.

Economic forecasts and out-turns

Approach

- 2.16** To provide context for the impact and progress evaluations, the National Evaluation Framework recommended the use of economic forecasts to identify how the Tees Valley economy was expected to develop at the point that the Devolution Deal (including the Investment Fund) was agreed in 2015; and then to compare this to actual out-turns at the point of the final evaluation (using actual out-turn data to 2019).
- 2.17** This involved the use of a projection from Cambridge Econometrics’ highly disaggregated database of employment and GVA by industry using the data available in 2015, tailored to reflect local circumstances where key additional developments were known about at the time. This projection sought to be as consistent as possible with policy makers’ expectations of the wider macro environment around the time that the Deal and the Investment Fund were agreed, and excludes economic and policy contexts/circumstances, which were not known at the time (most obviously Brexit and Covid-19).
- 2.18** Further details regarding the approach, technical considerations and limitations, and the granular data from the initial projections and analysis of out-turns are set out in Annex B.

Key findings

- 2.19** The headline projections and out-turn data for employment, Gross Value Added (GVA), and productivity are shown in **Error! Reference source not found.**

¹² SQW analysis of data from the Coronavirus Job Retention Scheme statistics: August 2020. Source: HMRC.

Table 2-2: Comparison of projected and actual headline economic performance

	Tees Valley		UK	
	2015 projection	Actual out-turn	2015 projection	Actual out-turn
Change in employment 2013-19 (%)	0.8	0.1	1.0	1.7
Change in GVA 2013-19 (%)	1.6	0.5	2.0	1.9
Change in productivity 2013-19 (%)	0.8	0.4	1.0	0.2

Source: Cambridge Econometrics and SQW

- 2.20** The economic challenges facing Tees Valley are reflected in the baseline forecasts, where Tees Valley was projected to grow more slowly than the UK in employment, GVA and productivity terms. The actual out-turns for these three indicators were all lower than forecast. Employment and GVA growth were both notably lower than the UK average, particularly employment which was almost static in Tees Valley but grew strongly, and above expectations, in the UK overall. Taken in the round, these out-turn data illustrate the scale of the challenge still facing the Tees Valley economy.
- 2.21** An important factor in explaining Tees Valley's recent performance is the economic shock caused by the SSI steelworks closure in October 2015. This resulted in the loss of over 2,000 direct jobs (95% of which were filled by Tees Valley residents) and *"negatively impacted on around 2,070 jobs in the wider supply chain."*¹³ The closure has also been linked to falls in median weekly pay and a rise in part-time work for those who remain in employment/were supported to find new employment.¹⁴
- 2.22** In addition, the out-turn data show that the underlying sectoral picture is complex with different sectors contributing to the 'underperformance' in GVA and employment. The main drivers of the lower than forecast GVA growth were Transport and storage, Mining and quarrying, and Manufacturing. These sectors collectively accounted for 16% of total GVA in Tees Valley in 2019 and all 'underperformed' against forecast growth rates by at least four percentage points. However, the sectors which contributed most to the gap between expected and actual employment growth were Government services, Financial and business services, and Construction.
- 2.23** Turning to productivity, Tees Valley's overall out-turn performance should be seen in the context of limited local employment growth. That said, Tees Valley's performance is in part also explained by its economic structure. The area benefits from a significant concentration of capital-intensive industries which enjoy high levels of productivity. For example, the local Chemicals and processing industry is more productive than the national average.¹⁵ However, the productivity performance of this select group of industries masks lower productivity performance in areas such as Professional and business services, and lower employment in

¹³ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

¹⁴ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

¹⁵ See [TVCA \(2020\) Tees Valley Local Industrial Strategy, Local Draft](#)

other industries which are more productive than the national average, e.g. Digital.¹⁶ Finally, Tees Valley's productivity picture should also be seen against the backdrop of skills and labour market challenges facing the area (see Table 2-1).

Implications for the evaluation

- 2.24** The socio-economic data analysis and econometric forecasts illustrate the entrenched difficulties which continue to face the Tees Valley economy. Although not yet evident in the data, this will be compounded by the negative impact of Covid-19 and, according to previous research, Brexit.¹⁷
- 2.25** The challenging economic backdrop is important contextual information in interpreting the progress made by the Investment Fund sponsored suite of interventions. It also highlights the importance of local partners working together to learn from the early years of devolution and put in place effective responses for the long term.

¹⁶ See [TVCA \(2020\) Tees Valley Local Industrial Strategy. Local Draft](#)

¹⁷ See [EU Exit: Long-term economic analysis \(2018\) HM Government](#)

3. Overview of the Investment Fund

Key Findings

- The Investment Fund is an integral part of the Combined Authority's broader £588m Investment Plan and forms a key element of Tees Valley's 'Single Pot' approach. No specific objectives were defined at the level of the Fund.
- Borrowing against the Fund has allowed the CA to secure additional resource, which has been used to bring forward the delivery of larger, potentially more impactful projects with greater cumulative outputs and outcomes than would otherwise have been the case. The flexibility of the Investment Fund which allows it to support economic development interventions across multiple themes (infrastructure, skills, and R&D etc.) was also reported to be crucial in maximising benefits.
- Consultees consistently reported that projects supported by the Investment Fund should *not* be seen as a set of interventions which are distinct from the wider Investment Plan sponsored suite of interventions. Despite this, there are specific links between a number of Investment Fund supported interventions which do have the potential to deliver cumulative effects, e.g. those supporting the creative and digital sector in Middlesbrough.
- Seventeen interventions were in scope for the evaluation. The interventions cover a broad range of themes including education and skills, superfast broadband, innovation, physical regeneration and development, and culture/image/place-making.
- The Investment Fund sponsored suite of interventions has evolved since the One Year Out evaluation report. Seven additional interventions have received/been approved to receive Investment Fund monies before the Gateway Review.

Coverage of the Investment Fund

Scope	
Maximum value of the Fund	£450 million
Duration of the Fund	30 years
Number of interventions in scope of the evaluation	17
Value of interventions in scope of the evaluation	£178m Investment Fund £253m total
Funding type	Mix of capital and revenue
National Evaluation Framework thematic coverage	
Transport	Yes
People	Yes
Infrastructure	Yes
Enterprise & Innovation	Yes
Other - culture and tourism	Yes

Strategic overview of the Investment Fund approach and model

- 3.1** As set out in Section 2, the Investment Fund is part of a larger ‘Single Pot’ containing multiple funding streams, including for example the Local Growth Fund. In part due to the fact that capacity within the CA was still developing when the Fund was launched, the CA’s initial approach was largely to use Investment Fund monies to ‘match fund’ existing interventions supported by other sources within the Single Pot.
- 3.2** The CA’s 2019-2029 Investment Plan marked an important change in strategy and is a key document in understanding the deployment of the Investment Fund because:
- The flexibility of the Investment Fund allows it to support economic development interventions across multiple themes (infrastructure, skills, and R&D etc.) to reflect local priorities which is crucial to maximising the benefits of a ‘Single Pot’ approach when other sources of funding are tied to specific themes or constrained through narrowly defined eligibility criteria.
 - Borrowing against the Fund has allowed the CA to secure additional resource to bring forward the delivery of larger, potentially more impactful projects with greater cumulative outputs and outcomes than would otherwise be possible. This ‘frontloading’ of the investment programme uses the funds raised through borrowing to spend more than the £15m per annum allocation from central government. This is discussed further in Section 4.
 - The strategic decision to make the Fund part of the Investment Plan’s ‘Single Pot’ means that the suite of Investment Fund interventions should not be seen as a standalone

package. As one consultee commented: *“It is inappropriate to consider [Investment Fund sponsored] projects in isolation from the wider Investment Plan programme.”*

- Despite this, a number of Investment Fund projects do have important linkages, and the potential to deliver cumulative effects e.g. those supporting the creative and digital sector in Middlesbrough.

3.3 More broadly, the development of the Investment Plan also illustrates stakeholder agreement about the long-term economic priorities for Tees Valley. The interventions included within the Plan (and supported by the Fund) also highlight the partnership’s strategic shift over time towards funding fewer, but larger projects which are of pan-Tees Valley significance. This is reflected in the scale of ambition, with the Plan setting a target of creating c17k jobs and c£1.4bn in additional GVA by 2029.¹⁸

Interventions in scope of the evaluation

3.4 The evaluation to inform the first Gateway Review is focused on interventions that had been approved formally within the first Gateway Review period, and where significant Fund expenditure has been incurred (potentially in full). In practice, to allow sufficient time for evidence on progress of delivery to emerge to inform the evaluation, this meant focusing on the 17 interventions that commenced delivery before the Baseline Report in December 2019.

3.5 The interventions cover a broad range of themes including education and skills, superfast broadband, innovation, physical regeneration and development, and culture/image/place-making. The 17 interventions in scope of the evaluation are summarised in **Error! Reference source not found..**

Table 3-1: Interventions covered by the evaluation to inform the first Gateway Review

Intervention (and Investment Fund allocation, £million)	Summary
Boho ‘The Digital City’ (16.4)	Developing two new office buildings to support the growth of the existing digital business cluster
Broadband (1.0)	Extends the rollout of broadband to increase the proportion of Tees Valley with superfast broadband
Collaborative Networks (1.7)	Supporting innovation and collaboration amongst local organisations through an innovation Challenge Fund and Collaborative Network Grant
Demand Responsive Transport (2.7)	Provides a new travel service to help residents move from villages and smaller towns to larger towns, transport hubs and hospitals
Education and Careers (5.0)	Supporting schools to achieve the Gatsby Benchmarks (representing best practice in careers education) and to address issues affecting their performance

¹⁸ See [Tees Valley Combined Authority, Tees Valley Investment Plan 2019/29](#)

Intervention (and Investment Fund allocation, £million)	Summary
Employment and Skills (4.8)	Using training, apprenticeships and employment support programmes to improve employment and skills outcomes
Hartlepool Centre of Excellence (0.7)	Rebranding the Northern Lights Academy as the Hartlepool Centre of Excellence and providing more courses to improve career pathways for young people
Hartlepool ISQ2 (3.5)	Refurbishing the Northern Studios and the Northern School of Art's Scott Building into a teaching space. It will also conduct exploratory work on the redevelopment of Shades House into a commercial ale house
Indigenous Growth Fund (48.8)	An overall framework for each of the local authorities in Tees Valley to make investments in spatial and sectoral priority areas
Liberty Steel (3.2)	The installation of a 250kg batch vacuum atomiser for commercial metal powder production and R&D activity
Middlesbrough Rail Station (2.5)	Reopening the undercroft as part of the wider Middlesbrough Station transformation scheme
Northern School of Art relocation (4.4)	Relocation of the Northern School of Art's Further Education campus from suburban to central Middlesbrough
STDC site investigations (0.8)	Feasibility works to create a knowledge base which will optimise land use planning, remediation requirements and environmental requirements
TeesAMP (2.7)	Creating modern, high quality advanced manufacturing space on the old Southwest Ironmasters site.
Teesside Airport purchase and development (73.6)	Acquisition of Teesside International Airport and adjacent land, along with additional funding to cover the expected operating losses and capital expenditure over a 10 year period.
Tourism and Cultural Development (4.0)	Aims to improve the local tourism sector through a Destination Marketing programme and support for Events and Festivals
Youth Employment Initiative (46.5)	Extends four pre-existing projects (Defining Futures, Tees Valley Pathways, Tees Valley Routeways and Young Ambition) to 2021/22 to help young people attain sustainable employment

Source: SQW and TVCA

3.6 However, and importantly for the evaluation, the Investment Fund sponsored suite of interventions has evolved since the Baseline Report. The CA informed the evaluators in Summer 2020 that seven additional interventions had also been approved to receive Investment Fund monies by the first Gateway Review. These interventions are not formally in scope for the evaluation but, given the scale of expenditure, have been included as a separate category of 'additional interventions' and are introduced in **Error! Reference source not found.** The two South Tees Development Corporation (STDC/Teesworks) related interventions had previously been approved, but their funding has been brought forward to before the Gateway Review. In these cases, outputs and outcomes will be delivered earlier than was anticipated at the One Year Out stage. The other five 'additional interventions' have been approved since Q3 2019/20 under the CA's rolling approach to intervention approval.

Table 3-2: 'Additional interventions' approved by TVCA

Intervention (and Investment Fund allocation, £million)	Summary
STDC Site - SSI land acquisition (29.4)	Purchase of the most immediately developable section of land on the South Tees Development Corporation (STDC)/Teesworks site, totalling 1,420 acres and including almost 2km of prime river frontage.
STDC Site - Infrastructure (15.3)	Infrastructure investment for the whole STDC site, supporting investment secured from central government. This project will lead to job creation and inward investment, as well as unlocking future phases of development.
Business Growth Programme (14.0)	A 10 year programme to create a single access 'Business Gateway' to replace and enhance the existing 'Growth Hub.' It will provide: Business Diagnostic and Signposting; Specialist Mentoring/Training/ Consultancy; and Access to finance support.
Culture and Tourism Programme (20.0)	Delivery of a wide range of arts and cultural activities, support to develop partnership across art forms, and supporting new partnerships between cultural organisations and the private sector.
Riverside Northshore Development (20.0)	The purchase and demolition of under-utilised retail space and a hotel, the relocation of existing businesses to concentrate the town's retail offer, and the creation of a mixed use space with around 750,000sqft of offices, 332 residential apartments, 150 family homes and a university campus.
Welcome to Redcar and Cleveland (20.0)	Improvements to the assets and attractions of Redcar and Cleveland, as well as improvements to transport and tourism infrastructure to attract a greater number of higher spending visitors.
Research, Development and Innovation Programme (6.0)	The creation of clusters aligned with regional innovation priorities, as well supporting activities which amplify the work of the region's existing research and innovation centres.

Source: SQW and TVCA

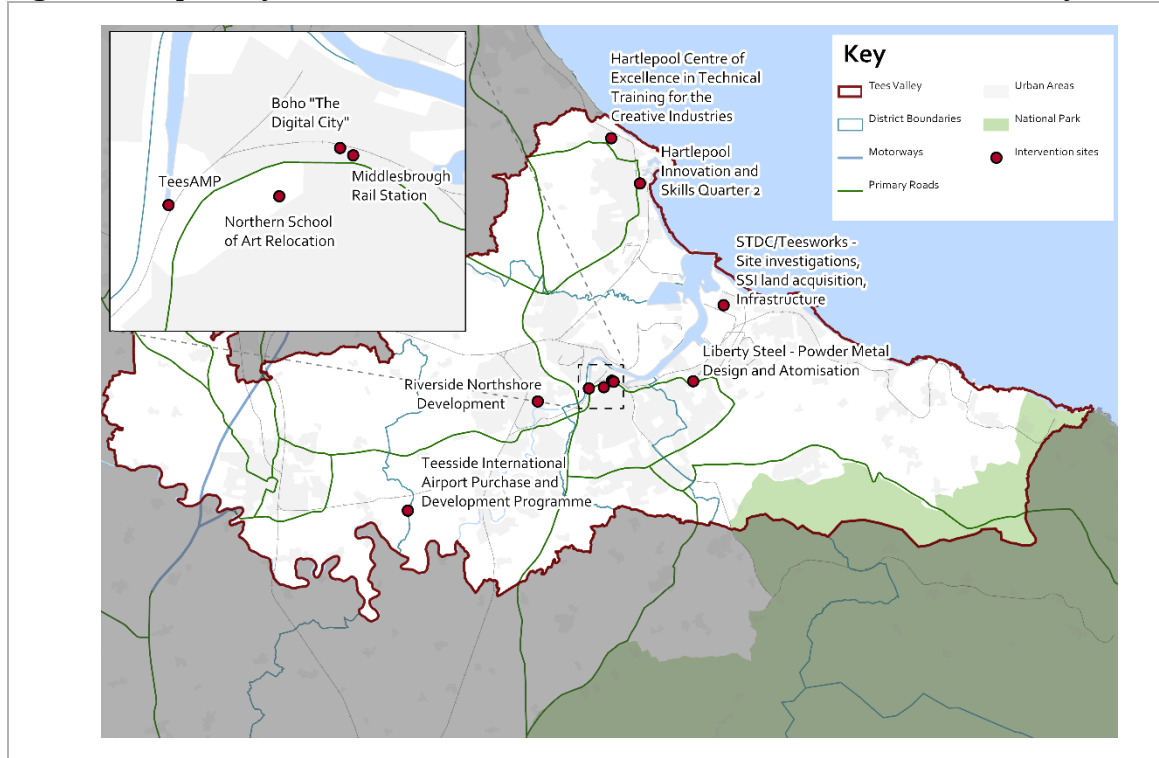
- 3.7** It is also noted that one intervention – Middlesbrough Train Station – included in the Baseline and One Year Out Reports has been removed from the Investment Fund suite of interventions. Following completion of the primary research for the evaluation, it was announced in Mid-August 2020 that Middlesbrough Station would be allocated a proportion of the £17.4m funding which the TVCA secured from the Government's Getting Building Fund. As a result, devolved Investment Fund monies will no longer be used to support this intervention, meaning the Investment Fund resource can in future be redeployed to support other projects.

Spatial distribution

- 3.8** The map at **Error! Reference source not found.** shows the locations of ten of the 24 interventions which are spatially focused. It also illustrates the geographic linkages between projects in central Middlesbrough that were noted above.

- 3.9** In general however, it is important to note that all areas of Tees Valley are expected to benefit from the Investment Fund as the revenue interventions, e.g. the Employment and Skills programme will be delivered across the entire area. In addition, the CA supports spatially focused interventions across all five local authority areas using non-Investment Fund monies – the map does not represent all of TVCA’s spatially focused projects.

Figure 3-1: Spatially focussed investment Fund interventions within Tees Valley



Source: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright [and database right] [2019]

Evaluation approach

- 3.10** The remit of the National Evaluation Panel is to provide evidence on the impact of the funds in delivering local growth outcomes. However, as noted in Section 1, in some cases it was considered too early to evidence impacts at this evaluation stage. In these cases, interventions have been subject to progress evaluation only.

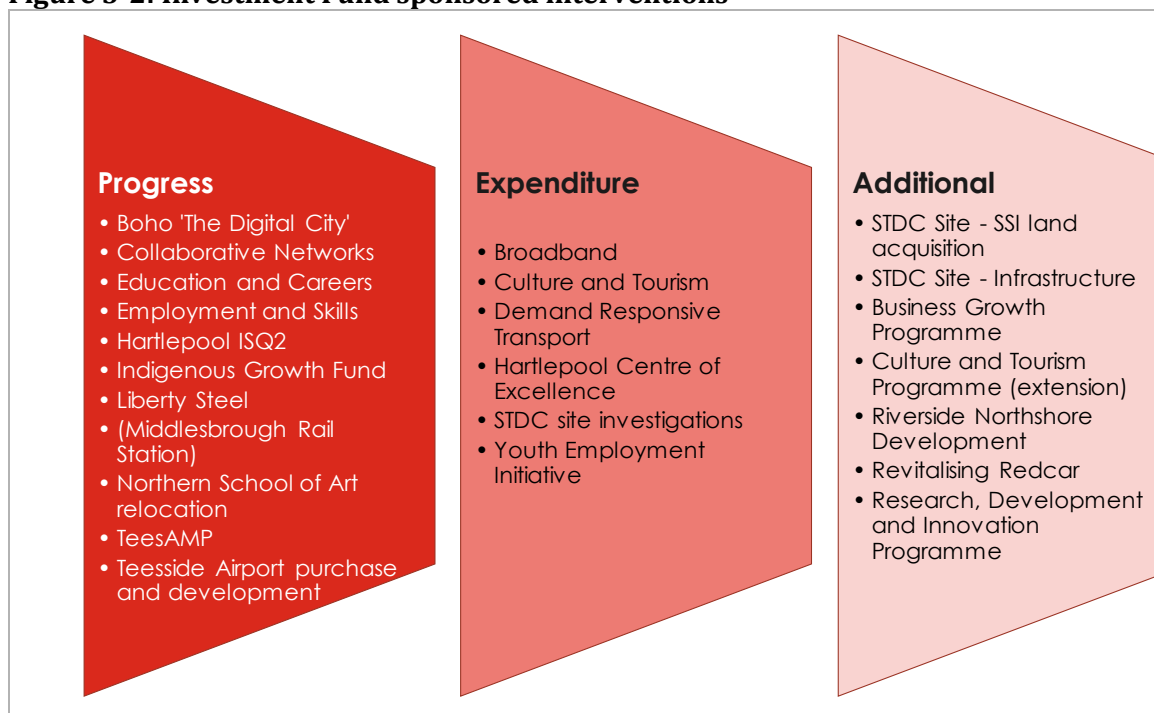
- 3.11** The evaluation approach is summarised in **Error! Reference source not found.:**

- Eleven interventions are subject to progress evaluation. Within this, Teesside Airport Purchase and Development is subject to a more detailed ‘progress plus’ evaluation, whilst TeesAMP is subject to progress and impact evaluation.
- Six interventions have been identified as ‘Expenditure interventions’ which are formally in scope for the evaluation. These interventions typically have lower levels of financial support from the Investment Fund and/or later start dates than the ‘progress interventions.’ It was therefore agreed in the Baseline Report that the most appropriate

and proportionate approach to include these interventions in the evaluation was to present data on expenditure data only.

- The 'additional interventions' are formally out of scope for the evaluation. However, for completeness, expenditure data is presented for these interventions.

Figure 3-2: Investment Fund sponsored interventions



Source: SQW 2020

4. Assessment of progress

Key Findings

- At the baseline stage, assumed anticipated expenditure by the end of June 2020 was £79.5m. However, actual expenditure on the 17 interventions known at that time was £65.7m - only 83% of assumed anticipated expenditure by the end of June 2020. Investment Fund spend on these interventions is almost £14m less than expected.
- When the 'additional interventions' which were not known at the baseline stage are included, actual Investment Fund expenditure by the end of June 2020 increases to £83m.
- Two interventions account for 80% of all Investment Fund expenditure to date: Teesside International Airport represents 62% of total expenditure; and the SSI land acquisition accounts for 18% (actual Investment Fund spend of £51.7m and £15m respectively).
- The CA receives an annual grant from the UK government of £15m under the Devolution Deal. The total Investment Fund expenditure of £83m up until the end of Q1 2020/21 therefore represents c.130% of the government grant provided to date. The borrowing which enables this is discussed in Evidence Report 1.
- Looking ahead, a further £53m of Investment Fund monies are expected to be spent by the end of the Gateway Review 1 period, whilst more than £200m of expenditure has already been approved for beyond the first Gateway Review.
- The Liberty Steel intervention is nearing completion, but it is still 'early days' for the remaining 'live' interventions. This reflects a combination of: intervention start dates which were often late in the Gateway Review period; delays finalising designs and beginning construction; and relatively long delivery periods for the revenue-based programme interventions.
- Encouragingly, and as discussed in Section 5, important progress has been made on the Teesside International Airport intervention which has allowed delivery to accelerate. However, and reflecting the underspend at the level of the Investment Fund, the majority of ongoing interventions are behind anticipated expenditure targets, as well as behind on delivery milestones and outputs achieved. In addition to Covid-19, factors influencing this include delays in finalising designs and costings for capital projects, lower than anticipated levels of initial demand for some revenue interventions, and challenges in securing the necessary match funding from national sources.
- Despite this, a wide range of outputs have already been achieved. These include safeguarding/creating over 400 jobs, supporting 340 people into work, and engaging 886 businesses in careers programmes.
- All project managers were confident that, despite the disruption caused by Covid-19, the interventions remained on course to deliver against their original objectives although in many cases this will take longer than initially envisaged.

Overview of progress

Expenditure	
Assumed anticipated expenditure by end-June 2020 ¹⁹	£79.5m Investment Fund £122m total
Actual expenditure by end-June 2020 (on interventions known at the baseline stage)	£65.7m Investment Fund £96.1 total
Investment Fund expenditure as % anticipated ²⁰	83%
Actual expenditure by end-June 2020 (including 'additional interventions')	£83m Investment Fund £113m total
Status of interventions	
Interventions completed by end-June 2020	1
Interventions on-going at end-June 2020	16
'Additional interventions' on-going at end-June 2020	7

Expenditure

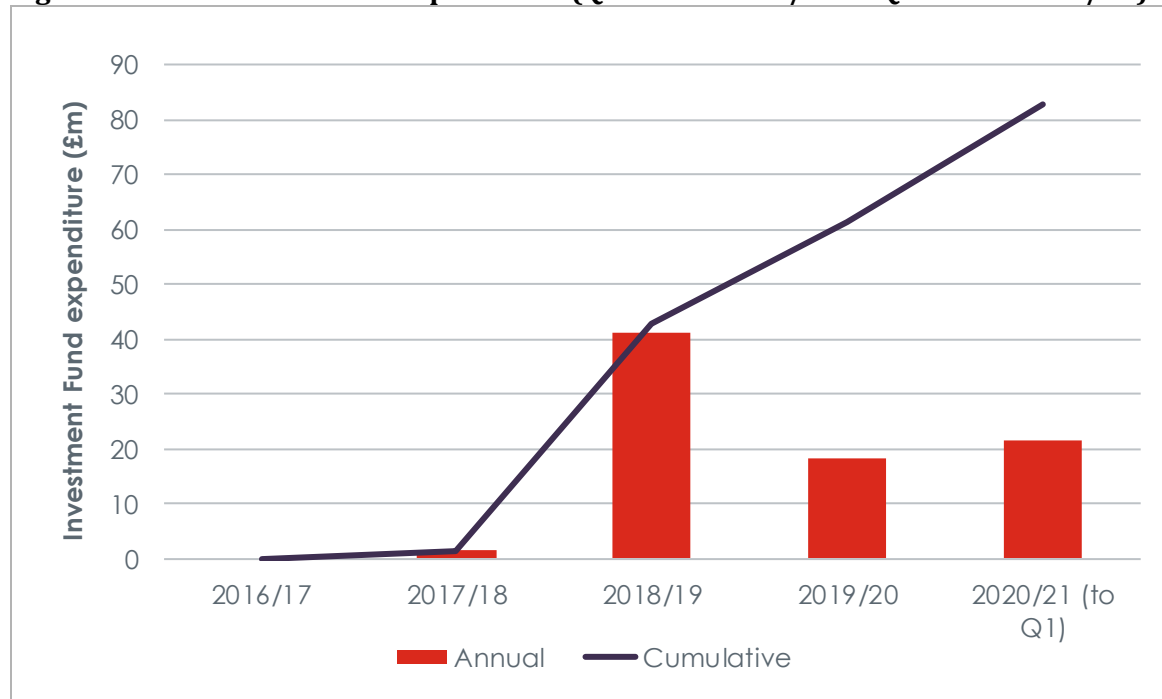
- 4.1** At the baseline stage, assumed anticipated expenditure by the end of June 2020 was £79.5m. However, actual expenditure on the 17 interventions known at the baselining stage was £65.7m - only 83% of assumed anticipated expenditure by the end of June 2020. Investment Fund spend on these interventions is almost £14m less than expected.
- 4.2** When the 'additional interventions' which were not known at the baseline stage are included, actual Investment Fund expenditure by the end of June 2020 increases to £83m. A fifth of the total Fund expenditure (£17.3m) has been incurred by these 'additional interventions', so the overall spend profile for the Fund as a whole has changed significantly since the Baseline Report was developed in December 2019.
- 4.3** Looking across all the interventions, it is notable that two account for 80% (£66.7m) of all Fund expenditure to date: Teesside International Airport represents 62% of total expenditure; and the SSI land acquisition accounts for 18% (actual spend of £51.7m and £15m respectively). In monetary terms, these two interventions are the main focus for the Investment Fund investment to date. For comparison, the next largest intervention (Liberty Steel) accounts for only 4% (£3.1m) of the total Fund expenditure to date.
- 4.4** Almost half of all Investment Fund expenditure to date occurred in 2018/19 with the purchase of Teesside International Airport. Expenditure in Q1 2020/21, helped by the SSI

¹⁹ Expected spend data was provided for full financial years only, with no quarterly breakdown available to the evaluators. To enable a comparison of actual spend against expected spend, the evaluators have therefore assumed that 25% of the expected spend for the full 2020/21 financial year was expected to occur in the first quarter of the year

²⁰ Note that this does not include expenditure on the 'additional interventions' because these were not identified at the Baseline Report stage and, as such, do not have a baseline expenditure profile to compare actual expenditure against

land acquisition intervention, is already higher than the level of expenditure recorded across the entire 2019/20 financial year. **Error! Reference source not found.** reveals that there was minimal spend through the Investment Fund in 2016/17 and 2017/18 as the focus at that time was on project development.

Figure 4-1: Investment Fund expenditure (Quarter 1 2016/17 to Quarter 1 2020/21)



Source: SQW analysis of TVCA data

- 4.5** The TVCA receives an annual grant from Government of £15m under the Devolution Deal. This is worth £63.75m over the first 4.25 years of the Investment Fund. The total Investment Fund expenditure of £83m therefore represents c.130% of the government grant provided to date. As discussed in Evidence Report 1, this acceleration of spend has been enabled by borrowing against future income from the Investment Fund.

Future planned expenditure

- 4.6** In addition to the £83m of expenditure to Q1 2020/21, a further £53m of Investment Fund monies are expected to be spent by the end of the Gateway Review 1 period (up to the end of March 2021). The Indigenous Growth Programme and infrastructure works at the STDC site are expected to account for £22.4m, equivalent to 42%, of the remaining pre-Gateway Review 1 expenditure. Monitoring data was provided in September 2020 so does not take account of the potential impacts of the November 2020 lockdown introduced in response to rising Covid-19 levels.
- 4.7** Looking ahead, more than £200m of expenditure has already been approved for beyond the first Gateway Review. The majority (60%) of this is for the ‘additional interventions’, although the single largest approved post-Gateway expenditure is the c. £33m on the Indigenous Growth Programme.

Out-turn of completed intervention - TeesAMP

- 4.8** By the end of June 2020, one of the interventions (TeesAMP) supported by the Investment Fund had been completed. A summary of outputs achieved to date is provided in **Error! Reference source not found.**, with a more detailed discussion presented in Section 5 and the accompanying Impact Report. In addition, the CA successfully completed the purchase of Teesside International Airport in early 2019. As the CA is providing ongoing revenue and capital funding to support the implementation of the Airport Business Plan, this intervention is discussed in the sub-section below and the accompanying Progress Plus Report.

Table 4-1: Out-turn of TeesAMP

Outputs	Actual outputs at Q1 2020/21	Target outputs by Gateway Review 1	Target outputs by project close
Hectares of site to be reclaimed (by end of 2018)	11	11	11
Creation of advanced manufacturing space (sq. m) (by 2020)	16,722	16,722	16,722
Direct jobs hosted (upon full occupation 2022)	8	228	500
Additional derived & supply chain (Indirect) jobs (by 2025)	30	57	100
Advanced manufacturing companies to be hosted (upon full occupation 2022)	0*	10	10

*Source: SQW analysis of TVCA data. *The monitoring data covers the delivery period to end June 2020/21 but, as discussed in Section 5, at September 2020 there were six tenant companies at TeesAMP*

Progress of on-going interventions

Summary overview

- 4.9** Reflecting intervention start dates, construction timetables for capital interventions, and the relatively long delivery timescales of the revenue interventions, the majority of the Investment Fund suite of interventions remained in delivery at the end of June 2020. This included ten of the interventions subject to progress evaluation. A detailed assessment of the progress made by each intervention against the six Progress Evaluation Research Questions is set out in the accompanying Progress Evaluation Evidence Report, with headline findings presented overleaf.

Number of interventions: 10		
Is expenditure on budget?		
Yes	No	
1	9	
<ul style="list-style-type: none"> Liberty Steel was the only intervention on budget when assessed against original projections Expenditure was lower than expected for eight interventions, with four yet to report Investment Fund expenditure by Q1 2020/21 (Boho, Hartlepool ISQ2, Indigenous Growth Fund, and the Northern School of Art) in addition to Middlesbrough Rail Station, which as mentioned above, has been removed completely from the Investment Fund suite of interventions. For the remaining three interventions, the reasons for lower than anticipated spend include challenges recruiting/retaining key workers (Employment and Skills Programme), slow uptake of grants by schools (Education and Careers Programme) and rescoping (Collaborative Networks), alongside delays owing to Covid-19. Planned post-Gateway expenditure on Teesside International Airport has been brought forward, so expenditure to the end of Q1 2020/21 stands at 120% of the projected spend level at that date. 		
Have agreed delivery milestones been met?		
Yes	No	
3	7	
<ul style="list-style-type: none"> Three interventions have achieved agreed delivery milestones. For example, the procurement works for both Boho 8 and Boho 10 were completed on time, whilst the two main elements of the Education and Careers Programme (Careers and Enterprise, and Education, Innovation and Collaboration) were launched as planned. Further, the Airport purchase was completed in February 2019 as planned and some milestones have been achieved ahead of schedule, such as the announcement of five new routes in January 2020. Seven interventions have encountered delays to some or all of their agreed milestones. The reasons for this include disagreements over project scope/design, additional re-costing work, construction challenges (particularly those associated with Covid-19), delays securing public sector match funding, and the broader implications of changes to the economic/funding landscape. The length of delays varies by intervention. For example, the Liberty Steel atomiser is now expected to be commissioned in Autumn 2020, five months later than planned, owing in part to Covid-19. The design stage for the Hartlepool Innovation and Skills Quarter 2 intervention was delayed by around nine months due to a lack of cost certainty resulting in a re-costing process. 		
Have anticipated outputs been delivered as anticipated?		
Yes	No	N/A
1	5	4
<ul style="list-style-type: none"> The Airport purchase safeguarded 400 direct jobs as planned. Four interventions had generated outputs, but not at the level anticipated for Q1 2020/21. This included the Liberty Steel and Collaborative Networks interventions, as well as the Employment and Skills, and Education and Careers programmes. Hartlepool Innovation and Skills Quarter 2 had not delivered any output by Q1 2020/21. Four interventions did not plan to deliver any outputs by Q1 2020/21. 		
Have intermediate outcomes been delivered as anticipated?		
Yes	No	N/A

No interventions	No interventions	10
<ul style="list-style-type: none"> No intermediate outcomes were planned or delivered by any of the ten interventions. This reflects intervention start dates, the long construction timetable for the capital interventions, and the complex and multifaceted challenges to be tackled by the revenue interventions 		
Do interventions remain on course to deliver against their original objectives?		
Yes	No	
10	No interventions	
<ul style="list-style-type: none"> Project managers were confident that all ten interventions are on course to deliver against their original objectives by the end of the project/programme. Some interventions have been delivered largely as planned, achieving anticipated milestones and outputs, and thus remain on course to deliver against their original objectives. The remaining interventions may have experienced delays to project delivery, but were reported to remain on course to deliver against their original objectives over longer timescales. 		
Has COVID-19 influenced progress and/or will it influence expected outcomes?		
Yes	No	
9	1	
<ul style="list-style-type: none"> Covid-19 had/is expected to influence the progress and/or expected outcomes of nine interventions. Common reasons cited for this included the temporary suspension of construction and the socially distanced slower speed resumption, delays to design and commissioning processes, concerns over future demand (e.g. commercial space, visitor numbers etc.), the implications of increased unemployment for work and skills related interventions, and the diversion of resources/capacity towards the pandemic response. There have also been intervention specific impacts, such as the temporary closure of the Teesside International Airport and the temporary pause in referrals to the Routes to Work programme. Covid-19 had not, nor was expected to, impact on the progress or expected outcomes of the Middlesbrough Rail Station project. This is because recent activity had focused on technical design work and risks associated with demand for the commercial space in the undercroft were considered to be low. 		

Intervention level

4.10 The outputs generated by ongoing interventions, and any delivery issues encountered and how/if they were addressed are set out in Table 4-2. Further details are provided in the Progress Evaluation Evidence Report.

Table 4-2: Intervention level outputs and delivery issues – on-going interventions

Intervention	Outputs generated	Delivery issues
Education and Careers programme	<ul style="list-style-type: none"> 886 businesses engaged Funded schools, colleges and local authorities... <ul style="list-style-type: none"> ➤ 63 matched to an Enterprise Advisor 	<ul style="list-style-type: none"> Initially there was a slow uptake of the Careers grant offer by schools. In response, the project team worked to help schools develop grant proposals, which has improved both the quantity and quality of proposals received. However, Covid-19 delayed the start of the Education

Intervention	Outputs generated	Delivery issues
	<ul style="list-style-type: none"> ➤ 53 achieve Gatsby Benchmark 5 ➤ 42 achieve Gatsby Benchmark 6 ➤ 9 achieve all Gatsby benchmarks 	<p>Collaboration projects that were planned for the first half of 2020.</p> <ul style="list-style-type: none"> • Covid-19 has had a substantial impact on schools. However, the programme has adapted by engaging with young people remotely and by bringing forwards improvements to the careers website. The nature of employer participation also changed, with a move towards more online engagement.
Employment and Skills programme	<p>Routes to Work</p> <ul style="list-style-type: none"> • 2,345 engagements • 1,731 positive outcomes • 861 significant improvements • 340 into work <p>Apprenticeships</p> <ul style="list-style-type: none"> • 204 Apprenticeships Support Grant for Employers • 155 New Apprenticeships Support Grant for Employers • 35 Apprenticeships Support Grant 2 	<ul style="list-style-type: none"> • The Routes to Work strand did not experience any delivery issues and, because of overperformance against targets, a year long extension has been agreed with the Department for Work and Pensions. • Covid-19 led to a shift to delivering online/telephone support rather than intense, face to face support that Routes to Work originally offered. • The Apprenticeship Programme has had lower than expected uptake of apprenticeship grants. As a result, eligibility was expanded from the initial priority sectors to include more high growth and high demand sectors. Additional devolved funding has also been allocated to a new, more generous apprenticeship grant for employers.
Liberty Steel	<ul style="list-style-type: none"> • 12 direct jobs created • 1 apprenticeship supported • 3 researchers working in improved facilities • 4 enterprises receiving non-financial support • 1 new to market product • 1 new to firm product 	<ul style="list-style-type: none"> • Commissioning of the atomiser (i.e. installation and testing) was delayed because of unexpected issues with gas supply, time lost due to the Covid-19 lockdown, and the slower speed of post-lockdown construction as a result of social distancing. • Recruitment of the new team, including an apprentice, is on track. R&D work which did not rely on the atomiser has also proceeded as planned.
Teesside International Airport	<ul style="list-style-type: none"> • 400 safeguarded jobs 	<ul style="list-style-type: none"> • The airport purchase was completed in early 2019 as planned. This purchase was reported to have safeguarded 400 jobs. • The airport closed between late March and early June due to Covid-19, but no redundancies were made.

Source: SQW, based on monitoring data and consultations with intervention leads

Discussion of intervention level progress

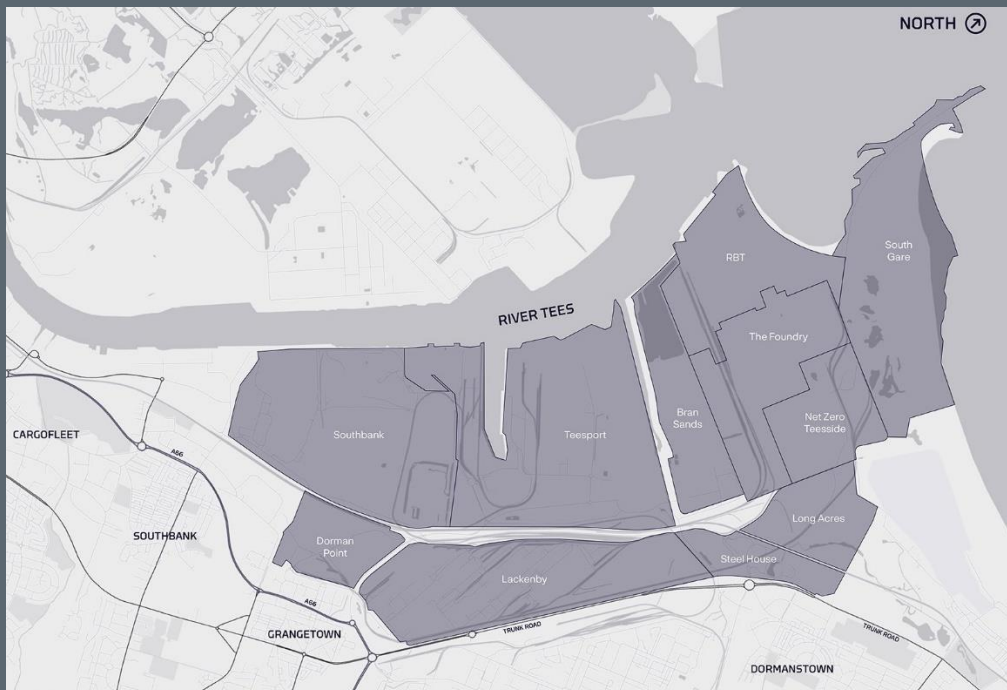
- 4.11** The Liberty Steel intervention is nearing completion, but it is still ‘early days’ for the remaining ‘live’ interventions. This reflects a combination of: intervention start dates which were often late in the Gateway Review period; delays in finalising designs and beginning construction; and relatively long delivery periods for the revenue-based interventions.
- 4.12** Positively, and as discussed in Section 5, important progress has been made on the Teesside International Airport intervention, which has allowed delivery to accelerate. However, and reflecting the underspend at the level of the Investment Fund, the majority of ongoing interventions are behind anticipated expenditure targets. Additionally, they are also behind on delivery milestones and outputs achieved. The Investment Fund sponsored suite of interventions is very diverse, so several factors help to explain this slower than anticipated delivery. For example, whilst some capital projects are behind because of delays in finalising designs and costings, progress on some of the revenue interventions was initially held back by lower than expected levels of demand. Further, capital and revenue projects have also been impacted by delays in securing match funding from national sources. The Covid-19 pandemic has also delayed delivery.
- 4.13** Despite this, a wide range of outputs have already been achieved. These include safeguarding/creating over 400 jobs, supporting 340 people into work, engaging 886 businesses in careers programmes, and supporting 63 schools and colleges with careers activity. All project managers were confident that, despite disruption caused by Covid-19, the interventions remained on course to deliver against their original objectives.
- 4.14** Finally, it is important to note the contribution of the ‘additional interventions.’ The flexibility of the Investment Fund and wider Single Pot has allowed the CA to bring forward these interventions (and their outputs and outcomes) earlier than would otherwise have been possible. At the level of the Fund overall, this additional expenditure helps to offset the lower than expected spend on the interventions formally in scope for the evaluation. Further details on the ‘additional intervention’ of the SSI land acquisition are provided below as this is the second largest project, in monetary terms, supported by the Fund to date.

Teesworks and SSI land acquisition

- The SSI steelworks closed in 2015 resulting in the immediate loss of over 2,000 direct jobs and a negative impact on around 2,070 jobs in the wider supply chain of over 300 companies. In response, the Government announced an £83m support package to be overseen by a taskforce chaired by the Executive Director of Redcar and Cleveland Borough Council.²¹
- Using the powers transferred through the Devolution Deal, the South Tees Development Corporation (STDC, now Teesworks) was created in August 2017 to lead the redevelopment of the c. 4,500 acres site.

²¹ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

- Following land purchase from Tata Steel Europe in 2019, and successful negotiations with three Thai banks (creditors of the SSI steelworks) and a CPO with minor landowners, ownership of the full site will vest with the STDC in October 2020. The Investment Fund sponsored intervention financed the purchase of the most immediately developable section of land on the site, totalling 1,420 acres and including almost 2km of prime river frontage.
- Plans are already in place for future activity at Teesworks. For example, Net Zero Teesside – a consortium including BP, Eni, Equinor, Shell, and Total – has committed to Teesworks and will occupy a 125-acre site for carbon capture, utilisation and storage. The Government also announced the award of £4.1m from the Getting Building Fund for the “development of entrance infrastructure and public realm...including dedicated induction space and training/development space.”²²
- In addition, a planning application was submitted in Summer 2020 for the creation of 4.5m sq ft of manufacturing space capable of hosting 9,000 jobs on part of the site. In the longer term, the Mayor has stated that development of the entire site “will create 20,000 good-quality, well-paid jobs”²³



Source: <https://www.teesworks.co.uk/>

‘Progress plus’ evaluation evidence: Teesside International Airport

4.15 The ‘progress plus’ evaluation focuses on TVCA’s acquisition and the initial phase of operation of Teesside International Airport. Given the long term and complex routes to economic impact associated with the intervention, the evaluation team recognises fully that it is too early to

²² See [UK Government \(2020\) TVCA Getting Building Fund](#)

²³ <https://www.southteesdc.com/compulsory-purchase-success-a-fantastic-result-for-tees-valley/>

attempt a robust and meaningful impact assessment in monetary terms. However, it is possible to identify emerging outcomes and consider anticipated future beneficial impacts.

- 4.16** The assessment draws on an analysis of monitoring data provided by the TVCA and 19 consultations with the delivery team, businesses based at the airport, local supply chain companies, business users of the airport, business representative organisations, and national aviation bodies. The full ‘progress plus’ findings are presented in Evidence Report 4, with a summary included below.

Introducing Teesside International Airport

- 4.17** Teesside International Airport (known as Durham Tees Valley Airport between 2004 and 2019) is situated in the eastern part of Tees Valley. The entire airport campus covers a total of 819 acres (331 hectares) with around 470 acres (190 hectares) of this relating solely to the operation of the airport. The remaining area includes land zoned for potential development, notably the ‘Southside’ land to the south of the runway.
- 4.18** In January 2019, the CA estimated that there were 400 jobs at the airport campus, including 111 staff “*directly employed or contracted to deliver certain functions*” for the airport management company. Significant third party employers with operations at the campus included: Cobham Aviation Services who provide operational readiness training to the RAF; Serco, whose International Fire Training Centre trains firefighters from across the world; and logistics firm TNT/Fedex. A flight training school and the Great North Air Ambulance were amongst the other firms also based on the airport campus.

Background and context to the intervention

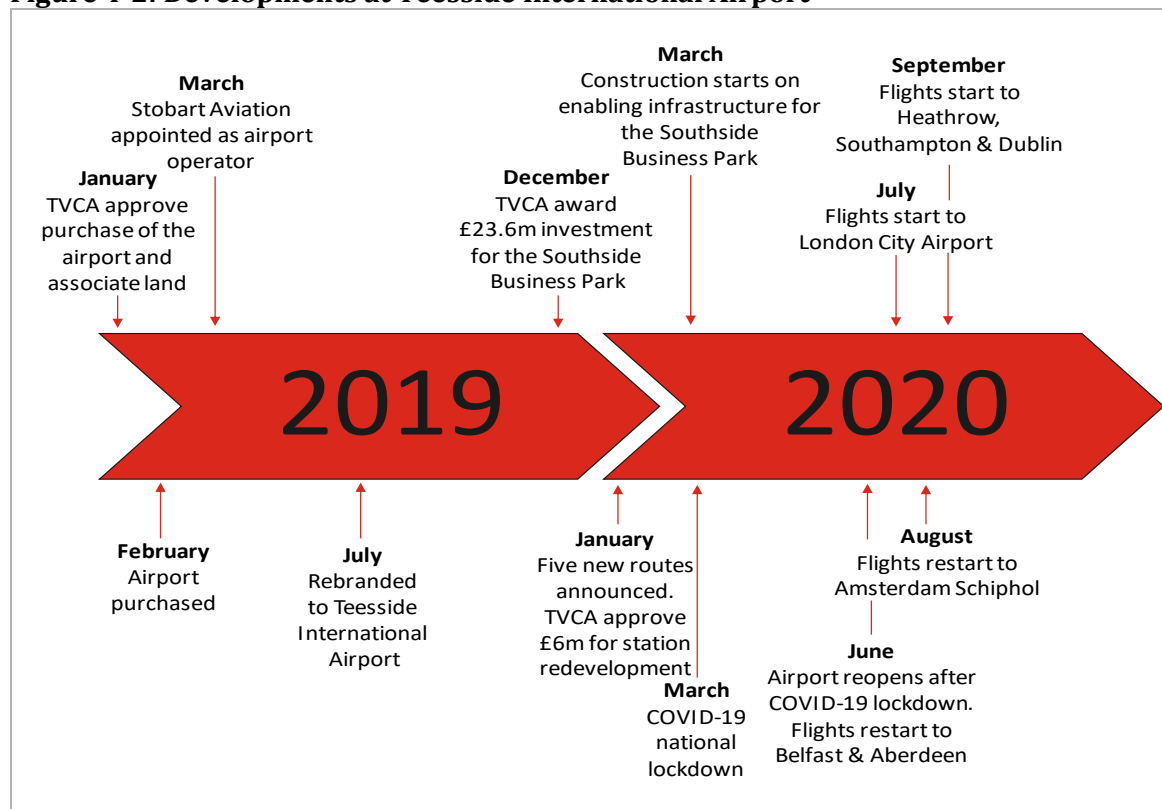
- 4.19** The Peel Group acquired a majority stake in the airport from the previous consortium of public sector owners in 2003. Passenger numbers initially rose, peaking at 900k per annum in the mid-2000s, before declining significantly. By early 2019, the only regular scheduled services were to Amsterdam Schiphol and Aberdeen.
- 4.20** In the 2003 agreement, Peel committed to keep the airport open until at least 2021 and potentially to 2026 “*dependent on the achievement of financial benchmarks.*” These benchmarks were not being achieved, and as a result the CA was informed by Peel that it “*intends to close the Airport as soon as it is able to under the terms of the existing Shareholders’ Agreement [which is] in 2021.*”²⁴ Peel had earlier produced a masterplan for the site which included 350 homes on the northside development land. Closure of the airport would thus have led to a permanent loss of the existing jobs, and the loss of a longer term ability to create new jobs on employment land.

²⁴ Acquisition and Operation of Durham Tees Valley Airport – report to TVCA Special Cabinet Meeting 24th January 2019

The airport intervention

- 4.21** The stated aim of the intervention as per the TVCA’s Full Business Case was to “secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity.”²⁵ This statement reveals how there were multiple elements that underpinned the rationale for intervention, including a desire to retain air travel because of the broader economic benefits that this brings, as well as developing a large, high quality business park on the wider campus.
- 4.22** The Investment Fund was used to purchase Peel’s share in the airport operations and wider campus for £40.2m in January 2019. The CA also agreed to provide £34.4m of additional support from the Investment Fund to cover the expected operating losses and capital expenditure needed at the airport over a 10 year recovery plan period.
- 4.23** The graphic overleaf illustrates key milestones since the CA’s purchase of the airport. This includes two complementary developments financed through non-Investment Fund sources which will be required to maximise the beneficial impacts of the airport intervention: the redevelopment of the airport’s railway station; and the creation of up to 3.4m sq ft of aviation/logistics focused business space on the Southside land.

Figure 4-2: Developments at Teesside International Airport



Source: SQW 2020

²⁵ TVCA (2019) Full Business Case: Securing the Future of Our Airport

Key findings on progress to date

- 4.24** Public sector intervention to acquire a strategically important asset, such as an airport, is often contentious because of the significant sums of money involved and political debates around nationalisation. Purchasing an underperforming airport is also risky because of the considerable difficulties associated with making the operations financially sustainable over the long term. The challenge that the Combined Authority and elected Mayor faced in securing support and consensus amongst the partnership, and their success in doing so, should therefore not be underestimated – it represents a significant achievement. Partners have collectively shown an impressive level of ambition in supporting this intervention. The Investment Fund was crucial to this because of the scale, certainty and flexibility of the finance that it provides. In short, the Fund has supported the delivery of a local priority intervention.
- 4.25** The scale of funding already committed to the airport (£74.6m over ten years, wholly from the Investment Fund) and future funding required to develop the Southside mean that, along with Teesworks, the airport will be one of the largest strategic economic development interventions supported by the Combined Authority for the foreseeable future.
- 4.26** The complex acquisition agreement and the process of securing a suitable JV partner to operate the airport were progressed promptly and this provided a good early platform for the project. By successfully acquiring the airport, the CA avoided the negative effects which could have been associated with Peel’s planned closure of the site and the resulting economic shock. The intervention has therefore helped to turn a significant socio-economic threat into a strategically significant economic development opportunity, albeit one that will require considerable ongoing financial support and commitment if it is to be realised in full.

Table 4-3: Aim and SMART targets

Aim	To secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity.
Target 1	Purchase of the airport by end March 2019
Target 2	The attraction of 10 additional routes by 2022
Target 3	The attraction of a low-cost carrier by 2022
Target 4	The increase in freight tonnage to 500 tonnes per annum by 2023
Target 5	Tenfold increase in passenger numbers to 1.3m by 2023
Target 6	Increase the propensity of Tees Valley residents to fly to the current national average of 3.41 flights per annum (from a baseline of 1.9) by December 2028

Source: SQW, based on Airport Business Plan

- 4.27** The early evidence suggests that progress in securing new flights and efforts to persuade a low cost carrier to consider the airport as a viable investment option has also gone well – particularly when considered against the very challenging backdrop for the UK’s aviation industry presented by Covid-19. However, because of the pandemic, passenger numbers over

the April-August 2020 period are much lower than those achieved for the same period in 2019.

- 4.28** Covid-19 is also a risk to achieving future air passenger related outcomes, including the long-term viability/sustainability of some routes already announced. Whilst new routes have been secured at Teesside International, other regional airports and indeed many airlines are struggling. Consultation evidence on future expectations of passenger growth was mixed, but there may be an opportunity for Teesside International to use its relatively low-cost base to capitalise on the widespread disruption facing the industry.
- 4.29** The aim of the intervention has always been wider than passenger operations, and explicitly includes the development of a major new business park. The emergence of Covid-19 means that this diversification is now more important than ever. Partners have a very ambitious vision for the development of up to 3.4m sq ft of employment floorspace at the Southside business park to maximise the beneficial economic impact generated by the wider airport campus. This element of the intervention is also in its infancy, but progress here is encouraging with (non-Investment Fund sponsored) activity on enabling infrastructure works underway, and a private sector partner identified to support the longer term development of the site. However, if the Southside is to achieve its potential and become one of the largest employment hubs in the Tees Valley, significant (public sector) finance will be required in the construction phase.
- 4.30** Finally, and despite this promising early progress, the long-term risks to the airport operations in particular remain substantial. The extent to which the intervention achieves its objectives will, to a large extent, be determined by the scale and nature of the impact Covid-19 has on the future of air travel over the coming years – something which is outside the CA’s control and still very uncertain at the time of writing.

5. Assessment of economic impacts

Key findings

- The TeesAMP intervention has successfully remediated 11ha of land and constructed 16,722sq.m of advanced manufacturing space on a site which had not previously been brought forward for development because of significant land and property market failures.
- Notably, these outputs have been achieved on budget (Investment Fund spend of £2.7m is 100% of target, and total spend of £21.6m is 96% of target to date) and with a limited delay despite the challenges encountered in the initial land remediation work.
- By September 2020, seven of the 14 new units had been let. Once fully occupied, these seven units could host an estimated c.140 employees, and contribute an annual gross GVA of c£8m to the Middlesbrough economy. Full occupation of Phase 1 is expected by 2022, at which time the site is expected to accommodate up to c465 employees and generate an additional c£26m in gross annual GVA.
- In the longer term - through Phase 2 of TeesAMP and co-location with TWI and the recently announced Hydrogen Transport Centre - TeesAMP has the potential to contribute towards building a critical mass of high quality activity, supporting cluster development and enhancing the local innovation ecosystem.
- More broadly, TeesAMP has established a new rental benchmark for the industrial property market in Middlesbrough. Achieving rental values in excess of 40% of the average signals to potential developers that there is occupier demand and that high quality speculative development in Middlesbrough can be made viable, albeit with public sector funding in the immediate term.
- In order to make a significant adjustment to the property market so that future developments do not continue to be heavily reliant upon public sector funding in the long term, more sites need to be brought forward to affirm developer confidence in the area and start increasing land values to help close the viability gap.

- 5.1** This section presents the key evidence from the impact evaluation of the TeesAMP industrial property intervention. The detailed findings and our methodology are contained in the accompanying Impact Evaluation Evidence Report.

Coverage and approach

- 5.2** Middlesbrough Council led the TeesAMP intervention to transform a strategic development site to the south of the Riverside Park Industrial Estate. Eleven hectares (110,000sq.m) of land on the old Southwest Ironmasters foundry site were remediated to remove residual land

contaminants from the site's previous heavy industrial uses. Development activity was then split into two Phases as shown in Figure 5-1 below:

- Phase 1 involved the creation of 180,000sq.ft (c. 16,722sq.m) of premium advanced manufacturing employment space. Cleveland Property Investments oversaw and delivered the site works (including remediation works and enabling utility infrastructure) and construction programme on behalf of the Council. Phase 1 was completed by 1st June 2020 and is the subject of this impact evaluation. A photograph of the completed development is provided in Figure 5-2.
- Phase 2 focuses on the remaining undeveloped land at the site, which has the potential for a further 100,000sq.ft (9,290sq.m) of employment space. The delivery timescale and funding arrangements for Phase 2 have not yet been confirmed. Phase 2 is therefore outside the scope of this evaluation.

Figure 5-1: TeesAMP Masterplan - Phase 1 (outlined in red)



Source: SQW, based on Middlesbrough Council

5.3 The evaluation adopted a case-based approach using a combination of project monitoring data, contextual data, and primary research. Desk based activities included a document review, analysis of monitoring data, a property market review and a land value uplift assessment. The evaluation was also informed by:

- Consultations with the Council, TVCA and staff who are responsible for the management and coordination of the TeesAMP intervention

- Detailed consultations with the site contractor, developer, project advisor, local property agents and three tenants
- Senior representatives from the Council, TVCA, and the LEP who provided some wider perspectives on TeesAMP.

Figure 5-2: Aerial photograph of the completed Phase 1 development at TeesAMP



Source: Middlesbrough Council

Logic model

- 5.4** A logic model was developed to inform the impact evaluation at the Locality Framework stage. Drawing on this logic model, a summary of the evidence from the impact evaluation, setting out what has been achieved at this stage in terms of inputs, activities, outputs and outcomes, and the evidence on ‘additionality’ is set out below.

What the intervention has achieved ...			
Inputs	Activities	Outputs	Outcomes
<ul style="list-style-type: none"> Actual Investment Fund spend of £2.7m by the end of Q1 2020/21 represents 100% of planned expenditure Total project spend from all sources (including match from LGF and Middlesbrough Council) was also on track at 96% of the expected level of spend by the end of Q1 2020/21 	<ul style="list-style-type: none"> Remediation work to remove residual land contaminants from the site's previous heavy industrial uses Installation of enabling utilities (water, electricity, gas, drainage, sewerage and broadband etc.) and transport access Construction of new high quality industrial space 	<ul style="list-style-type: none"> 11ha of land remediated New transport infrastructure (incl. one roundabout) created 16,722sq.m of advanced manufacturing space created across 14 units (individual units range from 292sq.m to 2,778sq.m) 	<p>Increased supply of industrial space</p> <ul style="list-style-type: none"> Seven units occupied by six business (one tenant occupies two units) The seven units could host an estimated c.140 employees, and contribute an annual gross GVA of c£8m to the Middlesbrough economy <p>Enhanced attractiveness of the area as a place to invest</p> <ul style="list-style-type: none"> The average achieved rent at TeesAMP is 43% higher than achieved across Middlesbrough as a whole. This provides evidence that there is scope to lift rents and help close the 'viability gap' on speculative developments <p>Enhanced image and profile of advanced manufacturing in Tees Valley</p> <ul style="list-style-type: none"> TeesAMP has the potential to contribute to the development of an advanced manufacturing cluster and enhanced innovation ecosystem (incl. through a potential Phase 2) because of co-location with the TWI and

What the intervention has achieved ...

planned Hydrogen Transport Centre

... and how additional this is i.e. what would not have occurred without the intervention?

- Imbalances in the Tees Valley property market formed a core part of the rationale for intervention. Despite evidence of occupier demand, no speculative development (other than at TeesAMP) has been brought forward in the past ten years. This is due to financial viability issues (low land values and rents), costly site constraints (high remediation costs) and difficulties in obtaining finance for speculative development.
- Consultee feedback, including from the developer and Council, was clear that without the TVCA funding, the project would not have happened. In this alternative scenario, the site would have remained dormant, or been used for low grade activities e.g. open storage, until an alternative public sector funding source was found to fill the viability gap. This consultee feedback is supported by the lack of permanent development on site since the Council took ownership in 1979.
- The additionality in site development feeds into the employment and GVA outcomes. In the context of a lack of supply of modern, high quality manufacturing business space in Middlesbrough and Tees Valley more broadly, TeesAMP has supported the retention and future expansion of six firms (with an estimated c.140 employees) who would otherwise have had to look outside Middlesbrough to meet their expansion needs.

Source: SQW

Key findings on outcomes to date...

- 5.5** Full occupation of Phase 1 of TeesAMP is not expected until 2022. As such, it is currently too early to comment with any degree of certainty on the full beneficial GVA, employment and advanced manufacturing cluster development impacts expected over the longer term. However, the key outputs referenced in the original business case (the remediation of 11ha of land and subsequent creation of 16,722sqm premium employment space) have been delivered. Notably, these outputs have only been slightly delayed and have been achieved on budget. Partners have therefore successfully regenerated a large site which is close to existing industrial assets and strategically well-located, but which had not previously been brought forward for development because of significant land and property market failures.
- 5.6** There is also positive evidence that TeesAMP would not have been constructed without Investment Fund support. A combination of low rental values and high land remediation costs meant there was a 'viability gap' which prevented the private sector from bringing forward development. Even after support from Middlesbrough Council had been secured, additional support from TVCA was required to make the site a commercially viable development proposition. Further, consultation evidence suggests that existing tenants would not have been able to locate/expand in Tees Valley without the provision of modern, high quality space at TeesAMP.
- 5.7** Turning to the economic outcomes related to tenants, in the four months between the delayed completion of TeesAMP in June 2020 and the writing of this report, seven of the 14 units have been occupied. Once the activities of these tenants are fully operational, the seven units could host an estimated c.140 employees and contribute an annual *gross* GVA of c£8m to the Middlesbrough economy.²⁶ Stakeholder feedback indicates that due to the lack of appropriate accommodation in Middlesbrough, and Tees Valley more broadly, these tenant firms would have sought accommodation outside of the area in the absence of TeesAMP. This indicates that the Investment Fund project is starting to achieve positive economic outcomes that would not have occurred without the intervention.
- 5.8** The project has also created the development platform for future follow-on private sector investments in industrial/commercial developments in Phase 2 of Tees AMP. The initial works have provided the necessary physical infrastructure that will deliver, subject to demand, c.100,000sq.ft of additional floorspace, alongside the expected economic outcomes

“
We wanted a flagship facility to host our blue-chip clients; TeesAMP fits well with our image and future growth aspirations.
 ”

²⁶ Assuming 36sq.m per employee in B2 use, as per the HCA (2015) Employment Density Guide (3rd Edition)

over the coming years. Future investments to bring development sites forward could start to overcome the viability gap, stimulate the property market and build developer confidence in the area.

...and outcomes expected in the future

- 5.9** TeesAMP is expected to lead to two types of economic outcomes in the future: one related to onsite employment and cluster development; and the second related to stimulating the local property market by closing the viability gap.
- 5.10** The full occupation of Phase 1 is expected in 2022, at which time the site is expected to accommodate up to c465 employees and generate an additional c£26m in gross annual GVA, with further job creation in the supply chain also expected. In the longer term, through Phase 2 and the recently announced Hydrogen Transport Centre alongside Phase 1 tenants and the TWI, TeesAMP has the potential to build a critical mass of high quality activity and support cluster development. However, strict entrance criteria must be implemented to ensure that future occupiers at TeesAMP are part of the advanced manufacturing/engineering sectors and that the scheme contributes fully to this important cluster development agenda.
- 5.11** More broadly, TeesAMP has established a new rental benchmark for the industrial property market in Middlesbrough. The above average rental returns achieved thus far signal to the market that there is occupier demand and that high quality speculative development in Middlesbrough can be made viable, albeit with public sector funding in the immediate term. However, in order to make a significant adjustment to the property market so developments are not heavily reliant upon public sector funding in the long term, more high quality sites need to be brought forward to affirm developer confidence in the area and start increasing land values to close the viability gap.

6. Wider contribution of the Investment Fund

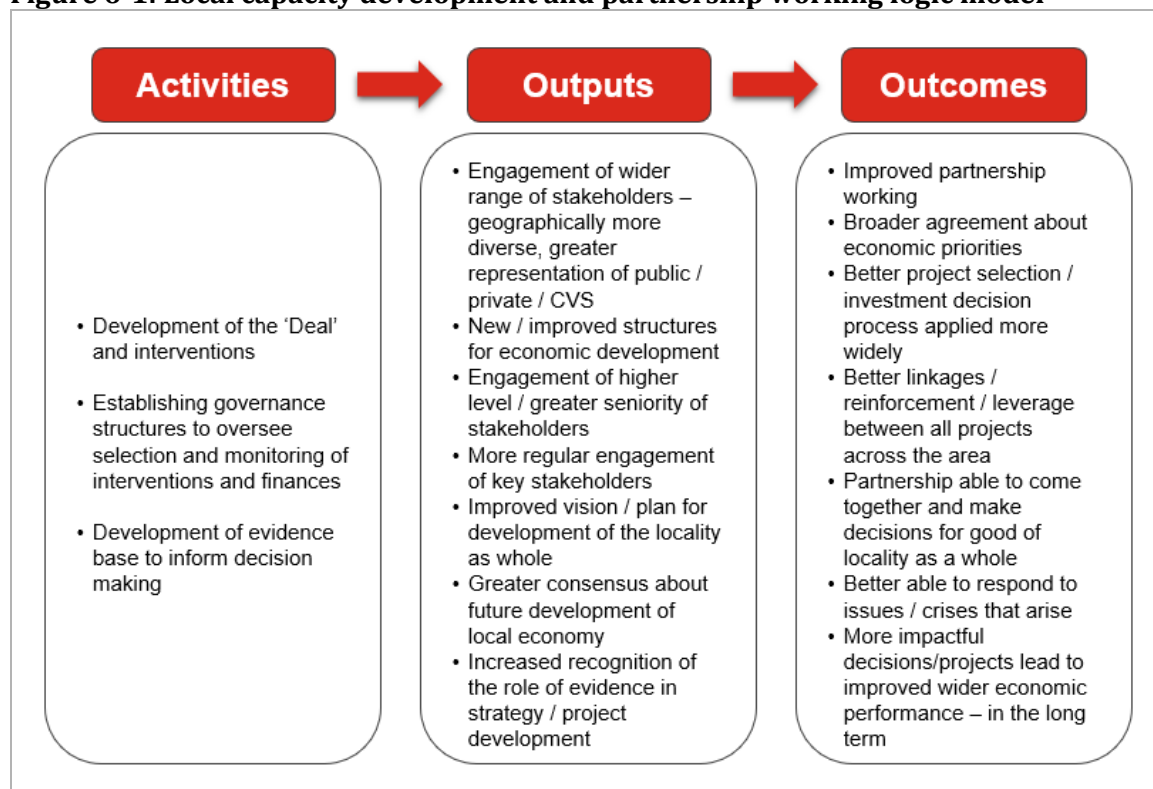
Key findings

- The evidence from both the online surveys and the strategic stakeholder consultations demonstrates that local capacity development and partnership working in Tees Valley has improved since the Combined Authority was created. Respondents to the e-surveys considered the Devolution Deal and Investment Fund, alongside the changes in political leadership, to be the most influential factors in driving these encouraging changes. The Fund was reported to have had a particularly positive effect on local commitment and confidence in delivering growth interventions, and strategic level decision making.
- In general, the evidence suggests that the CA has engaged effectively with partners to embed this pan Tees Valley economic development mindset. Formal structures to oversee the delivery of the Investment Plan and Investment Fund, such as the Chief Executives Group and Management Group, have been important forums for this. The CA has also adopted an open and outward facing relationship to the private sector by making LEP members associate members of the CA Cabinet and conducting consultation exercises to inform the evidence for strategies and action plans.
- More broadly, the development of the ten year Investment Plan (in which the flexibility and borrowing potential of the Investment Fund plays a key role, as discussed in Section 3) illustrates strong stakeholder agreement about the long term economic priorities for Tees Valley. The interventions included within the Plan (and supported by the Fund) also highlight the partnership's strategic shift over time towards supporting fewer, but larger projects which are of pan-Tees Valley significance.
- However, there is scope for further improvement in partnership working in the future, including in relation to the engagement of the local community and voluntary sector. The CA should also continue to invest time and effort in maintaining strong and balanced relationships with partners (including the local authorities) so that decisions, including in relation to the Investment Fund, continue to be made collectively and transparently.

6.1 The National Evaluation Framework recommended that any evaluation work to inform Gateway Reviews should include an assessment of the effects of each fund on local capacity development and partnership working.

6.2 The type of activities, and the nature of the expected benefits – outputs and outcomes – for this assessment of the wider contribution of the fund is set out in **Error! Reference source not found.**

Figure 6-1: Local capacity development and partnership working logic model



Source: SQW

6.3 Evidence has been collected from two perspectives:

- at a **strategic level**, considering the contribution that the Investment Fund as a whole has made to changes in the behaviours, perspectives, and decisions of actors across the economic development landscape, via an online survey and consultations with senior economic development stakeholders across Tees Valley.
- at a **project-up level**, considering how the development and delivery of individual interventions (or groups of linked interventions) has led to changes in the behaviours, perspectives and decisions of actors across the economic development landscape, via consultations with managers of interventions, and in-depth case studies on specific interventions.

6.4 The detailed findings from the research is set out in the accompanying Capacity Development and Partnership Evidence Report, including the results from two waves of the online survey and case study write-ups.

Evidence from the online survey

6.5 Nineteen people responded to the 2019 survey and 21 responded to the 2020 survey. Characteristics of respondents to the two surveys are broadly comparable, with similar numbers of people involved in the governance of the Investment Fund or projects sponsored by the Fund, and those involved in project implementation. Respondents to both surveys

included local authorities, the CA, representatives from the private sector, and local FE colleges.

Responses suggest that local economic development capacity has been enhanced across Tees Valley in recent years, with average scores for each of ten relevant indicators improving over time as shown in Table 4-3

6.6 Table 6-1. However, the data suggest there is scope for further improvement in all categories, particularly in relation to the engagement of the local voluntary and community sector.

6.7 Respondents who answered both surveys considered the Devolution Deal and Investment Fund to be the two most influential factors in driving these positive changes in local economic development capacity, with changes in the local political leadership following the May 2019 elections also identified as being important.

6.8 The sentiment that effective collaboration is crucial to local economic development runs throughout the qualitative responses, with one commenting that the Fund has supported “*the five separate authorities to work together, and with the private sector towards a common vision for Tees Valley.*” Other responses to this question characterised the influence of the Fund as stemming from the potential to invest in preparatory work and bottom-up interventions.

Comments also suggested that without the Investment Fund, any changes would have been “*piecemeal and low impact*”.



Having the flexibility to direct funding at local priorities, where strategies and interventions are developed by local people, has led to more focused projects which have a greater impact.



Table 6-1: Local economic development capacity and partnership working

	Median score in 2020: where 0 is very poor, and 10 is excellent ²⁷	Change in median score baseline to 2020 ²⁸
Effectiveness of partnership working in the delivery of economic development strategy and activity	8	1.5
Effectiveness of governance and management structures in the delivery of economic development strategy and activity	8	2
Effectiveness of the decision-making process for economic development interventions	8	2.5
Level of consensus on the key spatial priorities for economic development strategy and activity	7.5	1.5
Level of consensus on the key thematic priorities for economic development	7.5	1.5
Quality of the evidence base underpinning economic development	8	2
Level of synergy and inter-relationships between key economic development projects	7	1.5
Level of engagement of the private sector in economic development strategy and activity	7	1
Level of engagement of the voluntary and community sector in economic development strategy and activity	6	0.5
Level of engagement of the wider public sector, in economic development strategy and activity	8	1.5

Source: SQW analysis

Overall, the vast majority of respondents reported that the Fund had delivered a positive or very positive effect on the seven economic capacity development indicators shown in

²⁷ n=19

²⁸ n = 20 for baseline and n=19 for 2020

6.9 Table 6-2. The Fund was stated to have had particularly positive impacts on: overall local economic development capacity and partnership working; strategic-level decision making and planning; and local commitment to develop and deliver economic growth interventions.

Table 6-2: Effect of the Investment Fund on local economic development capacity

	'Net' positive effect of the development and delivery of the Fund since 2016 ²⁹
Overall local economic development capacity and partnership working	93%
Strategic-level decision making and planning	93%
Local commitment to develop and deliver economic growth interventions	93%
Operational decision making (i.e. project development/selection)	86%
Local confidence to develop and deliver economic growth interventions	86%
Engagement of high level / senior stakeholders in economic growth interventions	86%
Understanding on what works in developing and delivering economic growth interventions	79%

Source: SQW analysis

Evidence from the consultations and case studies

6.10 Two waves of in-depth consultations with senior economic development stakeholders across Tees Valley were completed in early-2019 and mid-2020. In total, consultations were completed with 18 stakeholders in 2020 (including nine that were consulted in both 2019 and 2020). Consultations with project managers of Investment Fund sponsored interventions also included questions to capture 'project up' impacts on capacity development and partnership working.

Stakeholder perspectives on the strategic effects of the Infrastructure Fund

Enhancing existing levels of partnership working

6.11 Consultees emphasised that developments since the establishment of the CA must be seen in the context of a long history of partnership working between the local authorities and other key economic actors in Tees Valley. This stretches back over 20 years to the formation of the Joint Strategy Unit.

6.12 The CA has been able to build on this strong historical foundation to help strengthen partnership working in Tees Valley. It was reported that the devolution of funding and decision-making powers has given partners greater incentive to collaborate and share information as part of the process of determining how the funding should be spent. Partners were seen to be more committed because devolution – of which the Investment Fund is one

²⁹ n=14

of the most prominent examples - has provided new resource for them to use in delivering against locally identified priorities.

6.13 The CA recognised that it needed to increase its internal capacity and capability to support the delivery of interventions, including those sponsored by the Investment Fund. The CA's capability was reported to have improved because of the recruitment of people from legal and financial backgrounds, alongside experienced economic development professionals. More broadly, there has been a rapid increase in delivery capacity since the CA was created, with employment almost doubling from c.60 in early 2018 to c.110 in August 2020. The Development and Delivery Team introduced by the CA in 2019 (discussed below) is a good example of how this increased capacity has led to the introduction of a new structure to support Investment Fund sponsored interventions. In general, it was reported that improvements in the CA's internal capacity have also helped to 'oil the wheels' of partnership working.

Project-up benefits – strengthened relationships

In addition to the positive feedback on working with the CA on project development and delivery (see below) project managers of interventions supported by the Investment Fund also noted wider benefits of engaging with the CA. For example, a private sector consultee stated that working with the CA has provided a “*seat at the stakeholder table*” when it comes to contributing to wider strategic developments such as the Tees Valley LIS.

Investment Fund project development and delivery has also strengthened existing relationships between local authorities, the CA and wider stakeholders. Such relationships cover both local and national organisations such as the local voluntary, community and social enterprise sector, Jobcentre Plus, Department for Work and Pensions, Network Rail and the Department for Transport. Indeed, one project manager stated that “*the extent of partnership working has been really key to the project...there's a genuine willingness to make things happen*”. Project managers also noted the formation of new relationships with wider stakeholders, for example with the TWI and the TTE Training Centre (part of Middlesbrough College Group).

6.14 As well as the additional capacity and capability that the CA has brought to the sub-region, consultees praised the contribution of key governance structures such as the Cabinet, Chief Executives and Management Group, which have been used to oversee and manage the implementation of the Investment Plan and Investment Fund. In particular, these groups were reported to have played a key role as forums for partnership working, and in developing and leading the implementation of the Investment Plan.

Strong engagement with the private sector...

6.15 There was widespread recognition that public-private partnership working in Tees Valley had started from a strong base and had improved further over recent years – in part as a result of the Investment Fund sponsored activities and the incentive that this resource provides.

6.16 Overall, it was reported that the CA was open in seeking views from stakeholders in order to do things *with* them rather than *to* them. Positive examples highlighted to the evaluators include the consultation exercises for the Sector Skills Action Plans, Investment Plan and Local Industrial Strategy. These consultations have been used to strengthen the evidence base for subsequent interventions sponsored by the Investment Fund.

“
The LIS consultation process was extensive...and made every effort to involve the private sector.
 ”

Project-up benefits - strengthening the evidence base

The development and delivery of large capital and revenue projects supported by the Investment Fund has generated additional local insight and evidence, which can be drawn on to inform ongoing project delivery as well as future strategic prioritisation and decision making. For example, a demand study with the local digital community was conducted at the start of the Boho project which helped to build the evidence base on the specific needs of local digital businesses. Similarly, the project applications received to date under the Collaborative Networks intervention have *“opened up [our] understanding of the innovation taking place within the region”*, thus improving awareness of innovative businesses that weren’t previously on the CA’s *“radar”*. This has subsequently influenced wider strategic perspectives around implementing the SEP and LIS.

The Employment and Skills Programme has also generated valuable local insight and evidence which has already been utilised effectively. For example, the Routes to Work workstream shone a spotlight on the local labour market via the achieved employment outcomes. In particular, the data highlighted a high number of zero-hours contracts which has resulted in the CA negotiating with Department of Work and Pensions (part funders of Routes to Work) to enable the CA to support those with zero-hour contracts.

6.17 In addition, private sector LEP members are all associate (non-voting) members of the CA Cabinet, so are able to provide constructive ‘check and challenge’ from a business perspective at these meetings.

...and key anchor institutions

6.18 Consultees also reported that as part of the development and delivery of the Investment Fund sponsored interventions, the CA had engaged well with anchor institutions such as Teesside University, the Centre for Process Innovation (CPI, part of the national High Value Manufacturing Catapult), the Materials Processing Institute (MPI) and TWI (formerly The Welding Institute). This strengthened relationships and improved local partnership working, as evidenced by the Memorandum of Understanding signed by the CA and Teesside University.

Securing agreement on the strategic growth narrative

6.19 The process of developing and agreeing the ten year, £588m Investment Plan (which incorporates the Investment Fund) was seen as evidence of strong agreement amongst the wider partnership on the key economic priorities for Tees Valley. Consultees considered the Plan – and the “*mature conversations*” and “*healthy debates*” involved in developing it - to be an example of successful partnership working.

6.20 There was also clear agreement that Teesworks and Teesside International Airport were the main interventions which will facilitate future economic growth across Tees Valley. It is notable that both have been sponsored by the Investment Fund. Overall, stakeholders were confident that with the Investment Plan and associated Assurance Framework in place, the CA has a clear and up-to-date mechanism to guide future Investment Fund project selection and prioritisation for the benefit of Tees Valley as a whole.

“
**The Investment Plan
 has led to greater
 cohesion as
 everyone
 understands the
 shared priorities.**”



Embedding a pan Tees Valley mindset

6.21 The Investment Plan also highlights the CA's move towards funding fewer, but larger projects which are of pan-Tees Valley significance, notably Teesworks and the airport. Whilst the latter intervention generated "*a huge amount of controversy*", it has also set the standard for what partners want to achieve for Tees Valley over the longer term. It was reported that the scale and long term nature of the Fund meant that it was the only source of finance available to the CA which could be used to progress the airport intervention. Without the Investment Fund, it would therefore not have been possible for local partners to deliver on a promise made by the elected Mayor to 'save' the airport.

“**The CA is now using the Investment Fund to support projects that have a regional impact even if they are physically located in one council area.**”

6.22 The financial incentive which the Investment Fund provides for partners to work together has, indirectly, also influenced decisions on non-Investment Fund sponsored intervention. The improved levels of partnership working and adoption of a pan-Tees Valley mindset which the Investment Fund has helped to foster are reflected in the Middlesbrough and Darlington Station upgrades, interventions to support the biosciences sector and discussions around a proposed new waste processing facility to be shared by all five councils. All of these schemes are good examples of interventions which are/will be based in one area but will benefit all five councils and generate pan-Tees Valley beneficial impacts.

Feedback on the 'project-up' benefits generated by the Investment Fund

6.23 In addition to the project-up cameo boxes above, consultations with project managers also highlighted that the devolved Investment Fund has led to new processes and systems which have contributed to effective project development and delivery. A key example is the CA's introduction of a dedicated Development and Delivery Team to support partners to develop robust Business Cases and deliver complex projects.

6.24 The CA recognised that this additional capacity (and capability) was required because of the higher number of business cases it was receiving, in part because the devolved Investment Fund gave partners greater incentive to develop and submit businesses cases. Whilst its creation was encouraged by the Investment Fund, the introduction of this Team has also supported the design and delivery of non-Investment Fund supported projects.

6.25 Through this team, the CA offers "*as little or as much help as needed*" depending on the experience, capacity and skills-set of the applicant in question. For example, the CA team worked closely with the Northern School of Art to develop its Full Business Case for its relocation. There is also a dedicated officer at the CA who works on the Indigenous Growth

Fund programme to help local authorities to shape their submissions to the Fund. The CA reported that the quality and clarity of business cases they receive has improved significantly as a result of this collaborative approach.

6.26 The same team within the CA also offers support in project delivery, alongside wider members of the CA with relevant expertise. Several project managers emphasised that having the CA represented on the project delivery board has worked extremely well. Not only has the CA's involvement helped to ensure "*loud and clear lines of communication*" and that all parties are kept updated on progress and involved in making key decisions, it has also been beneficial for troubleshooting. Project managers described the CA as being supportive, "*very open to suggestions*", and proactive at solving issues that have arisen during delivery. More broadly, improved access to the CA's technical expertise has encouraged knowledge sharing across other CA sponsored projects.

Case Study 1: Middlesbrough Rail Station

6.27 Following completion of the primary research in early August 2019, it was announced that Middlesbrough Station would be allocated a proportion of the £17.4m funding which the CA secured from the government's Getting Building Fund. As a result, devolved Investment Fund monies will no longer be used to support this intervention. However, the case study is retained in its original form because, at the time of the research, the consultees expected to receive devolved Investment Fund monies.

6.28 Improvement works to Middlesbrough Station's undercroft are being supported by the devolved Investment Fund. These works form a discrete part of the station's wider £33.95m redevelopment package. The aim of the intervention is to create an enhanced gateway to the town that accommodates current and future capacity needs and supports the economic regeneration and growth of Middlesbrough.

6.29 The Station's undercroft was identified as being unsafe during a routine structural survey carried out by Network Rail in April 2014. Intervention was therefore required to repair the building. Initially, the 'do minimum' option to make the undercroft safe was the favoured approach. However, partners including Network Rail, the Department for Transport, Middlesbrough Council and the Combined Authority, identified an opportunity to unlock wider beneficial economic impacts through the creation of new commercial space within the undercroft. Effective partnership working has resulted in the development of a scheme designed to meet the objectives of all partners and remain fully aligned with the wider vision for the future of the Station. The strength of the partnership working has also resulted in an enhanced focus on local procurement and maximising social value in the delivery of the scheme.

6.30 Going forwards, the positive relationships fostered across the partnership are expected to persist during the delivery phase. It was also reported to the evaluators that there will be wider benefits felt across Tees Valley more broadly, in relation to major strategic infrastructure projects such as the development works at Darlington Station.

Case Study 2: Education and Careers

- 6.31** The Education and Careers Programme is intended to improve attainment and careers provision within Tees Valley. It includes an Education Collaboration and Innovation Fund established to support innovation projects led by schools. The Careers strand includes a range of interventions to help all local schools to achieve the eight Gatsby Benchmarks, which reflect best practice in careers education, information, advice and guidance.
- 6.32** The design of the Programme was informed by an extensive consultation process and comprehensive data analysis. The evidence base was used to identify key challenges that the interventions should target, and to guide the precise format of the support on offer. It has played a formative role in the creation of the Education, Employment and Skills Partnership Board (EESPB) which draws together key partners from across the education landscape, with partners also working on individual Workstream Groups.
- 6.33** The Programme and EESPB were reported to have crystallised the TVCA's role within the education system and fostered a dominant culture of collaboration. The Careers Programme includes a strong focus on engaging employers in local careers provision and ensuring that there is high quality data to improve insight and decision-making.
- 6.34** Devolved responsibility for the funding was considered to have added value by improving the extent to which funding for education and careers interventions is flexible and responsive. Encouragingly, it was also reported to the evaluators that the model had given rise to greater strategic oversight and a much clearer sense of shared ownership across partners.

Annex A: Gateway Review Indicators

A.1 The purpose of this Annex is to map the Gateway Review Evaluation Indicators developed by CLGU against the coverage of the final evaluation reports provided by the National Evaluation Panel. For each indicator, the table below indicates whether:

- The indicator is not covered in the final evaluation reports (as it falls outside the scope of the work of the National Evaluation Panel)
- The indicator is partially covered in the final evaluation reports, but further information may be required from the Locality to respond fully (there are notes below to explain this partial coverage)
- The indicator is covered fully in the final evaluation reports.

A: Evidence of Investment Fund intervention progress (relevant for all projects assessed)

Table **Error! No text of specified style in document.**-1: Evidence of intervention progress (relevant for all projects assessed) indicators

Indicator	Coverage	Location of evidence in National Evaluation Panel (NEP) reports
1. Explanation of the approval process you followed for the intervention including:		
a) How the intervention was agreed by the CA, City Board or Cabinet, including a description of how challenge or disagreement being handled effectively, where applicable	Not covered	N/A
b) How the views of stakeholders were considered during intervention development	Not covered	N/A
c) How the intervention aligns with pre-existing investment programmes in the area	Not covered	N/A
d) How the business case process was appraised (N.B. Robust appraisal should demonstrate value for money and potential for positive economic impact, developed in line with the HM Treasury Green Book)	Partially covered	<ul style="list-style-type: none"> See Evidence Report 1 – Capacity (Section 1) for an introduction to the Assurance Framework
e) How the intervention fits with pre-existing stakeholder frameworks, strategies and plans	Not covered	N/A
2. Explanation of the delivery process to date, including:		
a) Intervention milestones agreed at Board level that are likely to result in successful delivery of the intervention	Not covered	N/A
b) Delivery of the intervention against agreed intervention milestones with evidence of adjusting project/programme plans to	Fully covered	<ul style="list-style-type: none"> See Sections 4 and 5 of this report Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections, 2, 4 and 5)

mitigate the impact and to ensure value for money and successful delivery		<ul style="list-style-type: none"> ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Section 4)
c) An agreed spending profile for the intervention	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections 2, 4 and 5) ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Section 4)
d) Evidence of keeping to the spending profile and mitigating overspend or delays including evidence of adjusting spending and project/programme plans to mitigate the impact and to ensure value for money and successful delivery	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report ➤ Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections 2, 4 and 5) ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Section 4)
e) Outputs generated to date by intervention activities	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 2 – Progress (Sections 3 to 5) ➤ Evidence Report 3 – TeesAMP (Section 5) ➤ Evidence Report 4 – Teesside International Airport (Sections 4 and 5)
3. Local evaluation plans and commitment to Investment Funds evaluation activities including the Independent Panel evaluation beyond the first gateway review in line with agreed milestones	Partially covered	<ul style="list-style-type: none"> • The scope of the NEP work has been on Gateway Review 1. A Locality Evaluation Plan was agreed, and this is referenced at Section 1 of this report.

Source: SQW

B: Evidence of intervention impact (relevant where projects have been delivered)

Table **Error! No text of specified style in document.**-2: Evidence of intervention impact (relevant where projects have been delivered) indicators

Indicator	Rating	Notes
1. Evidence that all evaluation activities set out in the evaluation plan developed by SQW has been completed. Evaluation plans developed sets out a range of activities, such as surveys, and before and after data comparisons that would inform reporting against logic models	Fully covered	<ul style="list-style-type: none"> • See Section 3 for an overview of the approach. • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Section 1) ➢ Evidence Report 2 – Progress (Section 1) ➢ Evidence Report 3 – TeesAMP (Section 1) ➢ Evidence Report 4 – Teesside International Airport (Section 1)
2. Evidence of delivery of the outcomes specified in the agreed logic model for each intervention	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 3 – TeesAMP (Section 6) ➢ Evidence Report 4 – Teesside International Airport (Section 5)
3. Where possible, evidence showing a reasonable expectation that interventions will have long-term positive economic benefits	Partially covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 3 – TeesAMP (Section 6) ➢ Evidence Report 4 – Teesside International Airport (Section 5)
4. Where possible, a description of outcomes that are expected to be delivered in the future	Fully covered	<ul style="list-style-type: none"> • See Sections 4 and 5 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 3 – TeesAMP (Section 6) ➢ Evidence Report 4 – Teesside International Airport (Section 5)
5. Delivery of information and data to SQW to evidence the outcomes of specific interventions	Fully covered	

Source: SQW

C: Evidence of capacity development and partnership working

Table **Error! No text of specified style in document.**-3: Evidence of capacity development and partnership working indicators

Indicator	Rating	Notes
1. Description of leadership roles and responsibilities assigned within the locality	Not covered	N/A
2. A description of engagement between local authorities within the locality on development and decision-making, both in relation to specific interventions (where appropriate) and the Investment Fund as a whole	Partially covered	<ul style="list-style-type: none"> • See Sections 3 and 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4) ➢ Evidence Report 2 – Progress (Sections 4 and 5)
3. Evidence that the City, CA or Cabinet has engaged stakeholders of a wider range, greater seniority and, where relevant, greater regularity than under previous governance and funding arrangements	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4)
4. Evidence that the City, CA or Cabinet considered stakeholders' views during decision-making	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4)
5. Evidence that stakeholders felt it was easier and more beneficial to engage with the City, CA or Cabinet than with previous governance arrangements	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 2 to 4)
6. Description of how the new governance structures for economic development have affected decision-making across the locality	Fully covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Sections 1 to 4)
7. Evidence of an improved plan for the development of the locality as a whole including evidence of consensus among stakeholders about the future development of the local economy compared to under previous governance and funding arrangements.	Fully covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➢ Evidence Report 1 – Capacity (Section 3)

8. Description of how evidence has been used in the development of strategies and projects	Partially covered	<ul style="list-style-type: none"> • See Section 6 of this report • Further details are provided in: <ul style="list-style-type: none"> ➤ Evidence Report 1 – Capacity (Section 3)
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Source: SQW

D: Contextual economic forecasting and comparison to out-turns

Table **Error! No text of specified style in document.**-4: Contextual economic forecasting and comparison to out-turns indicators

Indicator	Rating	Notes
1. Forecast of economic growth in locality for GVA and employment to Year [5 or 10]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C
2. Forecast of economic growth nationally for GVA and employment to Year [5 or 10]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C
3. Out-turns of economic growth in locality for GVA and employment to Year [x]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C
4. Out-turns of economic growth nationally for GVA and employment to Year [x]	Fully covered	<ul style="list-style-type: none"> • See Section 2, further details are provided in Annex C

Annex B: SQW Peer Review comments

Context and purpose

- B.1** The Academic Group was sent the draft Overview, Capacity Building and Partnership, Progress report and Impact Evidence papers for the Tees Valley local growth intervention evaluation on 7th October 2020; the same time as they were sent to the client, the Tees Valley Combined Authority. SQW hosted a virtual workshop with all five members of the Academic Group on 15th October 2020 to discuss the draft evaluation reports and the views of the academics; in addition, members of the academic group provided high-level written comments to the evaluation team via email. This document provides a summary of the key feedback messages.

Overall feedback from the Academic Group

- B.2** The Final Report and underpinning Evidence Reports are well written, clearly presented, comprehensive and easy to read. The Evidence Reports enable a comprehensive and insightful discussion in the overall Final Report. They are well grounded in the evidence and provide a strong and effective narrative on progress made in Tees Valley. The exposition and discussion in the report were suitably cautious and adequate care was taken by the evaluators not to exaggerate the evidence base.
- B.3** The use of diagrams has helped to communicate the analysis and data in a clear and accessible manner.

Feedback on individual reports

Overview Report

- B.4** The discussion on the interventions is clear and the reader is able to position the interventions geographically and in the context of the overall strategy for the economic development of the area.
- B.5** As was also highlighted in the Baseline and First Year Out Reports, the economic development challenges facing Tees Valley are considerable. This is already referred to, but it would be useful to provide more narrative regarding this. For example:
- Expanding on the analysis of Table 2-1 and Table 2-2. In reviewing the Cambridge Econometrics (CE) forecasts, it is important to note the structural, institutional and wider contextual factors within Tees Valley that existed pre-2015 (i.e. before the baseline economic forecasts were made).

- The legacy of the industrial past presents significant issues when it comes to attracting new investment, but it is clear that new investment is needed to remediate land and to retrain workers.
- Covid 19 was recognised to have added a further dimension to the difficulties faced, particularly in the light of its impact on Teesside International Airport and smaller projects.
- SQW response: Additional narrative is provided in Chapter 2 of the Overview Report.

B.6 The report acknowledges that, because many projects are in the early stages of delivery, it is not currently possible to assess impacts. However, it would be useful to include an expectation of future spend and, although relatively speculative at this stage, what this investment might mean for the future of the Tees Valley economy.

B.7 SQW response: Additional narrative is provided in Chapter 4 of the Overview Report.

B.8 The CE baseline forecast for GVA was commented on. It is important to check with CE what data sources were used to produce the forecasts.

B.9 SQW Response: Full details are provided in Annex C of the Overview Report.

B.10 Regarding the use of the Investment Fund:

- The Investment Fund is combined with other funds into a single pot. Due to this, the difficulties for the evaluators of ascertaining the additionality of the Fund was recognised.
- Teesside International Airport dominates expenditure to date. It was observed that the majority of ongoing interventions are behind expenditure targets.
- Reference is made to both revenue and capital spending through the Fund. It would be useful to provide more details on the capital/revenue split of interventions.
- SQW Response: Additional narrative is provided in Chapter 3 of the Overview Report.

B.11 There is helpful discussion on the wider contribution of the Investment Fund and the evidence here is encouraging. The Devolution Deal and the Investment Fund are considered to be highly influential factors in driving forward economic development which is again very positive. There is a strong tradition of cooperation between the relevant stakeholders and this is referenced in the report.

Progress, Progress Plus and Impact Evidence Reports

B.12 Overall, the reports clearly depict the nature of interventions and the quality, eligibility and use of evidence is strong. The reader is able to quickly determine the progress of each project.

B.13 The discussion in the Teesside International Airport ‘progress plus’ report makes clear that the airport offers opportunities but also great risks, particularly in a Post-Covid world. Its future will dominate what a considerable part of the Investment Fund will be able to achieve

in the years ahead. It is a long term intervention so the evaluation should be hesitant in drawing strong conclusions and must note the future risks.

- B.14** The TeesAMP project seems to have gone well and is a clear, effective and highly relevant intervention. The report would benefit from more discussion on the links between existing tenants and the emerging priorities of the Tees Valley Local Industrial Strategy.
- B.15** SQW Response: Additional narrative is provided in Chapter 6 of the TeesAMP Impact Report.

Partnership and Capacity Development Report

- B.16** The strong history of partnerships and governance structures was highlighted as an important enabler for the more recent progress made in partnership working and capacity development.
- B.17** It was recognised that ‘teasing out’ the extent to which these factors have improved as a result of the Fund would be challenging, as Tees Valley’s single pot approach combines multiple funding sources and stakeholders.
- B.18** The absolute number of responses to the online survey was low. In research methodology terms, such survey responses are best used as contextual data to help to support the qualitative interviews as the latter are more meaningful. Consequently, the report should avoid ‘overplaying’ the survey evidence in this paper – though it was agreed that the balance is appropriate in the main Overview Report.

Other discussions

- B.19** It was noted by the Academic Group that the evaluation raises some interesting issues on the approach taken to the strategic deployment of the Investment Fund, project prioritisation and selection, and fit with other interventions and agendas, from which there may be important policy lessons. However, it was recognised that these issues fall outside of the scope of the evaluation.

Annex C: Economic forecasts and out-turns

C.1 This Annex provides further details regarding the economic forecasting. It includes an overview of the approach, interpretation of the results including any limitations, and the detailed data from both the baseline forecasts and analysis of out-turns.

Approach

C.2 As part of the Baseline Report, Cambridge Econometrics (CE) developed tailored baseline economic forecasts for Tees Valley, based on a version of CE's Local Economy Forecasting Model (LEFM) that was available in 2015.

C.3 The initial forecasts used the LEFM and were based on historical growth in the locality relative to the region or UK (depending on which area it has the strongest relationship with), on an industry-by-industry basis. It was assumed that those relationships would continue into the future.

C.4 The initial forecasts were then revised to take account of specific growth plans or major interventions that were in place at the time the Investment Fund was approved, and which could reasonably be expected to influence economic growth over the period to the first Gateway Review. This involved desk-based research and a workshop with representatives from TVCA. The tailored forecasts were then developed within a version of LEFM calibrated to the Tees Valley economy, including the GVA and employment adjustments to the non-tailored baseline as agreed by the locality.³⁰

C.5 This Annex compares the tailored forecasts developed for the Baseline Report with the actual outcomes over 2013-2019.³¹ Comparisons are made at the level of the Tees Valley economy as a whole and at sectoral level.

Interpreting the results

C.6 The forecasts set out in the Baseline Report and the more recent historical data to 2019 are both based on CE's historical employment and GVA databases, allowing for comparison across the two datasets. While the method to process the data in the Baseline Report and the actual outturn data are equivalent, it is important to note three differences in the underlying raw data when interpreting the results:

- **The last year of actual local area employment data in the most recently published data is 2018.** The local area employment data in 2019 are estimates based on actual

³⁰ Further details regarding the methodology and the effects of the tailoring are set out in the Baseline Report.

³¹ The local area employment data in 2019 are estimates based on actual regional data. While the local area GVA data in 2019 are projections and are not based on actual regional data, they have been included for comparisons.

regional data.³² Changes at the regional (North East) level over 2018-19 are proportionately disaggregated across all local authorities in the North East. The 2019 local area employment figures are therefore estimates, allowing an additional year to be used in the analysis. It is important to bear in mind, however, that the actual 2019 local area figures could be higher or lower if changes at the regional level were concentrated in particular areas within in the North East.

- The local area GVA data in 2019 are projections and are not based on actual regional data. They are modelled results, based on CE's standard method to produce baseline economic projections.³³ They have been included for comparisons.
- **The price base of the GVA data has changed from £2011 in the baseline forecasts to £2016 in the latest historical data.** The absolute GVA levels, therefore, cannot be compared between the two datasets. In order for both datasets to be compared, an indexed series has been created for both datasets where the GVA data in 2013=100. This allows recent growth rates to be compared with forecast growth rates. A similar approach has been applied when analysing the employment and productivity data.
- ONS published new local authority, NUTS2- and NUTS3-level GVA estimates based on an improved (balanced approach) methodology in 2018.³⁴ These new data have been incorporated into CE's historical database. The raw GVA data used in the Baseline Report was based on the old (income approach) NUTS2 GVA data available at the time, as the NUTS3 GVA data was considered to be less robust.
- Additionally, ONS have published the latest NUTS2 GVA data by more detailed sectors than were available when the LEFM used in the Baseline Report was updated.
- The incorporation of raw GVA data at lower spatial levels means that in some instances GVA has been redistributed between local areas and sectors within a NUTS2 area. This could lead to differences between the GVA data used in the Baseline Report and the latest GVA data. However, the effect on total GVA for a larger area, such as Tees Valley, and the effect on the growth rates by sector within the area will be limited, as this comparison focuses on broad sectors (not the detailed sector level in the new GVA data). A comparison between the forecasts is, therefore, still valid when analysing the indexed growth rate.

C.7 These changes in the raw GVA data mean that any differences observed when comparing the GVA forecasts from the Baseline Report with the actual outturns data could be due to the change in the GVA price base, improvements in the measurement and reporting of the GVA data and/or differences in what was expected in 2015 versus what actually happened. There

³² This is due to the ONS release schedule for data. While 2019 regional employment data has been published, the 2019 employment estimate for local authority districts will not be released until the end of September 2020.

³³ Further details regarding the standard methodology for CE's baseline projections are set out in the Baseline Report.

³⁴ Balanced approach data is created by combining income and production approach data – a summary of how these approaches differ at the aggregate level can be found [here](#). A summary of how these two data sets are combined can be found [here](#).

could be cases when variations between forecasts and actual data are better accounted for by methodological issues. However, the impact on growth rates at the Tees Valley level are likely to be limited. It is difficult to estimate the relative scale of importance between the factors causing possible differences, as they will affect each local area and sector differently. Therefore, greater focus should be on comparing forecast and actual growth rates, rather than absolute levels, particularly as the price base of the GVA has changed.

Detailed data

C.8 The closure of the SSI steelworks in 2015 was a significant economic shock to Tees Valley and is an important contextual factor in interpreting the area's subsequent performance. The closure resulted in the immediate loss of over 2,000 jobs at SSI and "*negatively impacted on around 2,070 jobs in the wider supply chain.*"³⁵ The negative impact was so significant that the Government announced an £83m support package. The out-turn data below should be seen in this challenging context.

GVA

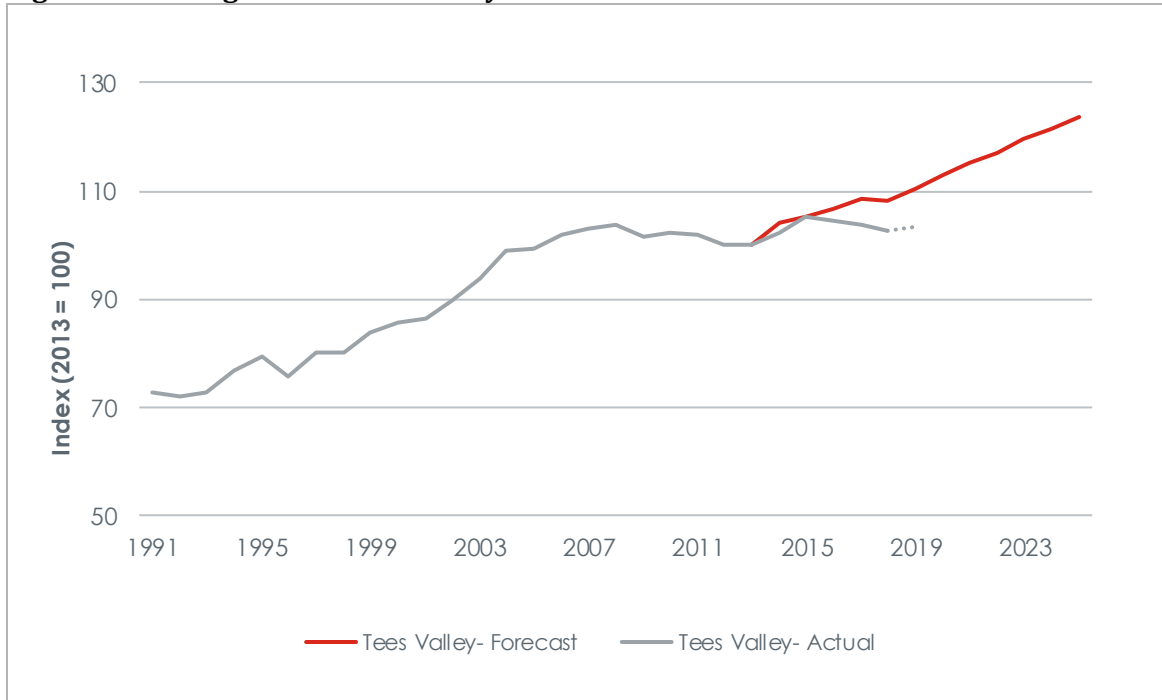
C.9 Actual GVA growth in Tees Valley and the North East over 2013-19 was slower than expected (see Figure C-1 and Figure C-2). Tees Valley's GVA grew by 0.5% p.a. over 2013-19. This is much slower than the UK, which grew by 1.9% p.a. over this period. Tees Valley also underperformed in comparison to the wider region (the North East), which grew by 0.9% p.a. over the same period.

C.10 Actual GVA growth per annum in Tees Valley over 2013-19 was nearly one percentage point (pp) lower than was forecast in the Baseline Report (1.6% p.a.). This is in line with the North East, where GVA growth per annum also underperformed the forecast by 0.8 pp. However, GVA growth in the UK as a whole over this period was broadly in line with expectations.

C.11 The main drivers of the lower than forecast GVA growth were Transport and storage, Mining and quarrying, and Manufacturing, which accounted for 16% of total GVA in Tees Valley in 2019 and all 'underperformed' against the forecast by at least 4pp. (see Table C-1). Of the remaining industries, only Electricity, gas and water, and Government services outperformed the forecast (both by less than 1pp).

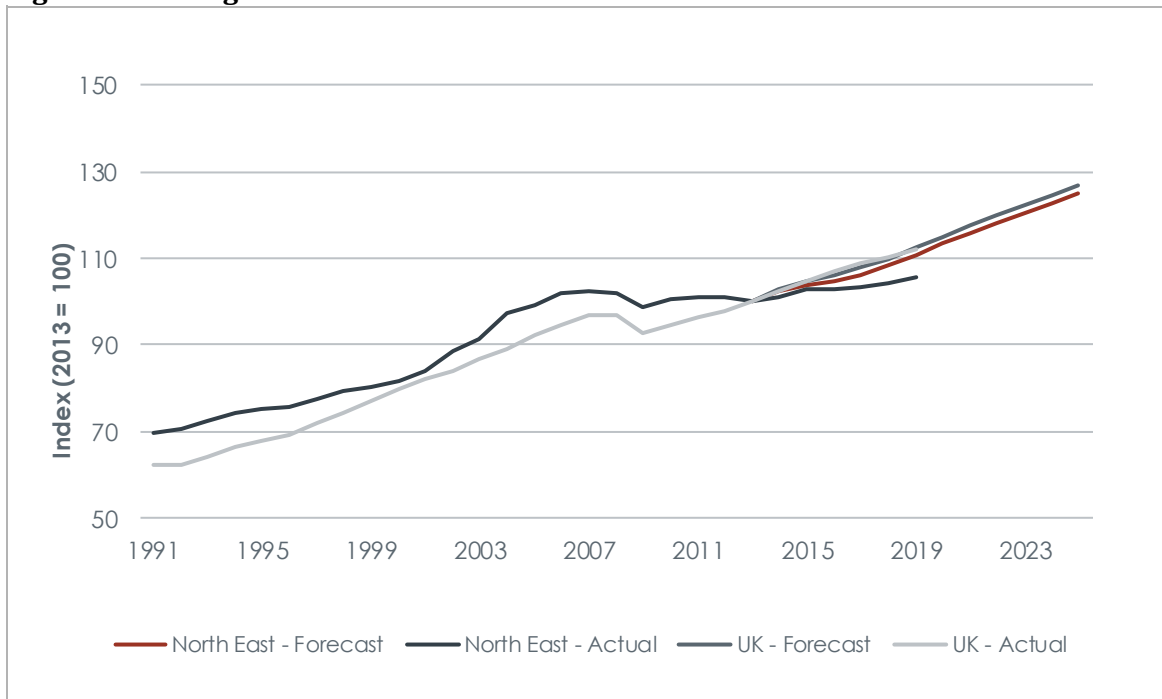
³⁵ Centrifuge Consulting (2019) Interim Evaluation of SSI Task Force Economic Stimulus Package

Figure C-1: GVA growth - Tees Valley



Source: Cambridge Econometrics

Figure C-2: GVA growth - North East and UK



Source: Cambridge Econometrics

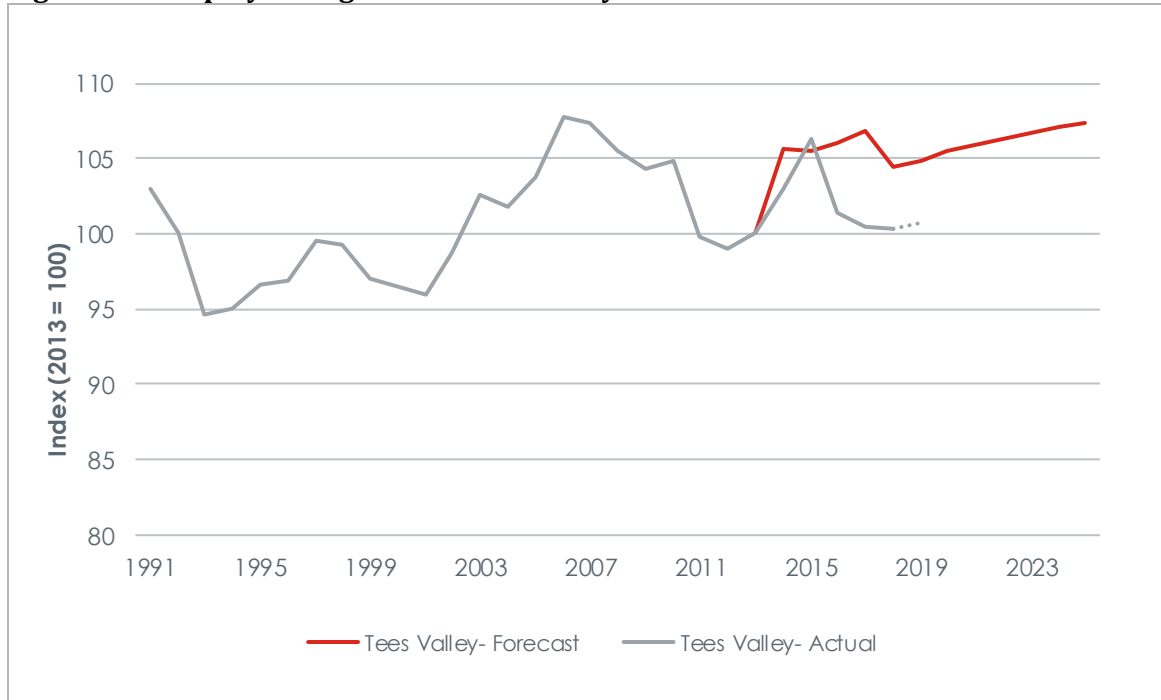
Table C-1: Tees Valley GVA growth by sector, 2013-2019

Sector	Forecast growth (p.a. %)	Actual growth (p.a. %)	Percentage point difference (actual minus forecast)
Agriculture	0.2	-1.7	-1.9
Mining & quarrying	-1.2	-6.5	-5.3
Manufacturing	1.3	-3.0	-4.4
Electricity, gas & water	0.9	1.1	0.2
Construction	3.5	1.4	-2.0
Distribution	2.1	1.9	-0.2
Transport & storage	3.2	-4.0	-7.3
Accommodation & food services	2.0	0.9	-1.1
Information & communications	3.3	2.1	-1.1
Finance & business services	2.0	1.4	-0.6
Government services	0.3	1.2	0.9
Other services	1.6	0.2	-1.3

Employment

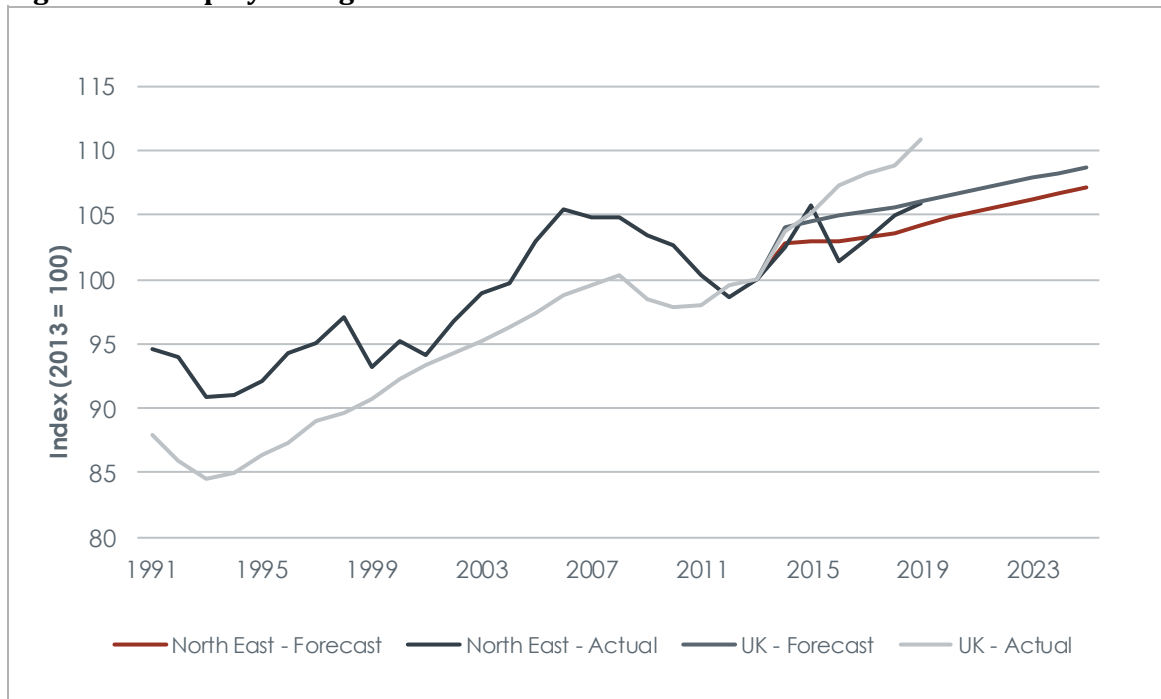
- C.12** Employment grew below expectations in Tees Valley, while it grew above expectations in the North East and the UK as a whole (see Figure C-3 and Figure C-4). Tees Valley started to deviate from the expected growth path in 2016, and this gap has been maintained throughout the remainder of the forecast period.
- C.13** Employment in Tees Valley grew by 0.1% p.a. over 2013-19, compared to a forecast of 0.8% p.a., resulting in 8,700 fewer jobs in the area by 2019 than expected. This is particularly stark when compared to the wider region. Despite some volatility in the growth rate, employment in the North East outperformed the forecast by 37,600 jobs in 2019. Similarly, employment in the UK grew by 1.7% p.a. over 2013-2019 compared to the expected 1% p.a., resulting in 1.7 million more jobs in 2019 than forecast.

Figure C-3: Employment growth – Tees Valley



Source: Cambridge Econometrics

Figure C-4: Employment growth – North East and UK



Source: Cambridge Econometrics

C.14 The biggest difference between forecast and actual employment growth rates were in Agriculture and Electricity, gas & water. However, these are relatively small sectors and only account for about 2% of total employment in Tees Valley. The sectors which drove the 8,700 jobs gap between expected and actual employment were Government services, Financial and business services, and Construction (see Table C-2). These sectors are the largest employers

in Tees Valley, accounting for over half of all jobs. Lower than expected employment in these sectors was partially offset by employment growth in Accommodation & food services, Information & communication and Manufacturing, which performed more strongly than expected.

Table C-2: Tees Valley employment growth by sector, 2013-2019

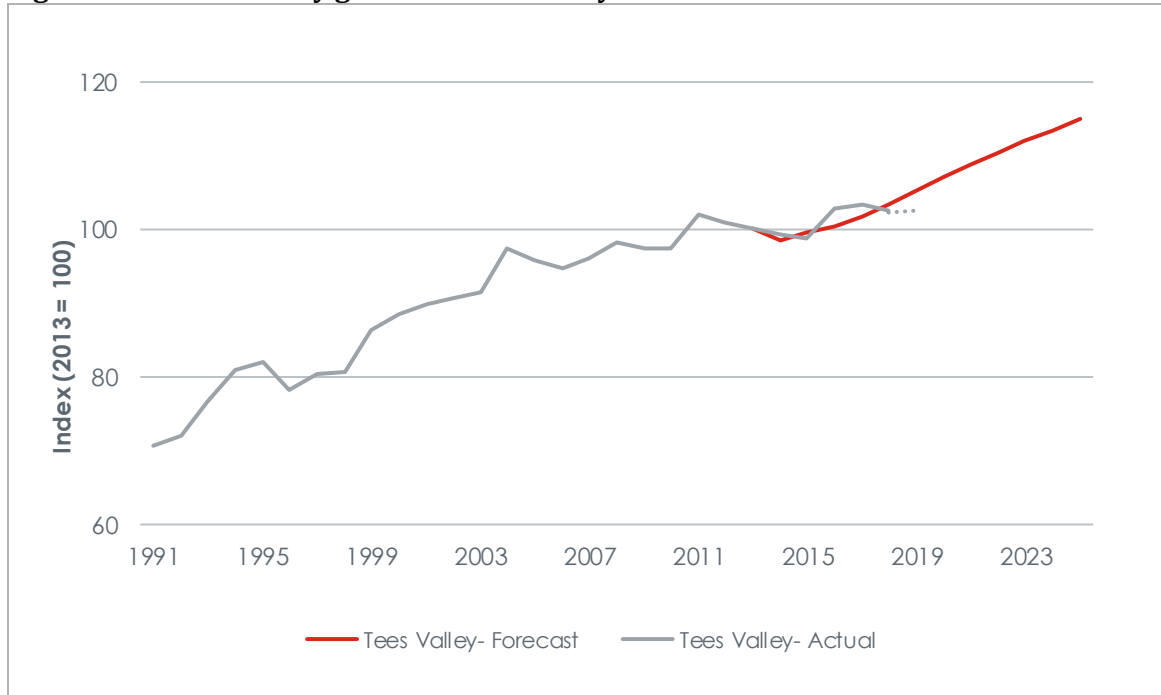
	Forecast growth (% p.a.)	Actual growth (% p.a.)	Percentage point difference (actual minus forecast)
Agriculture	1.7	-10.6	-12.3
Mining & quarrying	-5.8	-6.9	-1.1
Manufacturing	-1.5	-0.4	1.1
Electricity, gas & water	2.8	-3.5	-6.3
Construction	1.8	-0.3	-2.0
Distribution	1.0	0.5	-0.5
Transport & storage	0.8	0.4	-0.3
Accommodation & food services	0.5	2.9	2.4
Information & communications	-1.0	0.8	1.8
Finance & business services	1.9	0.1	-1.8
Government services	0.5	0.0	-0.5
Other services	1.7	-0.3	-1.9

Productivity

C.15 Average productivity growth for Tees Valley over the period (2013-19) was below expectations, similar to trend observed in the North East and UK as a whole (see Figure C-5 and Figure C-6). Productivity in Tees Valley was forecast to grow by 0.8% p.a. over 2013-19 in the Baseline Report, but actual growth was half of this rate (0.4% p.a.). However, there was significant annual variation, with productivity growth of 4% in 2016, followed by negative growth of -1.0% in 2018.

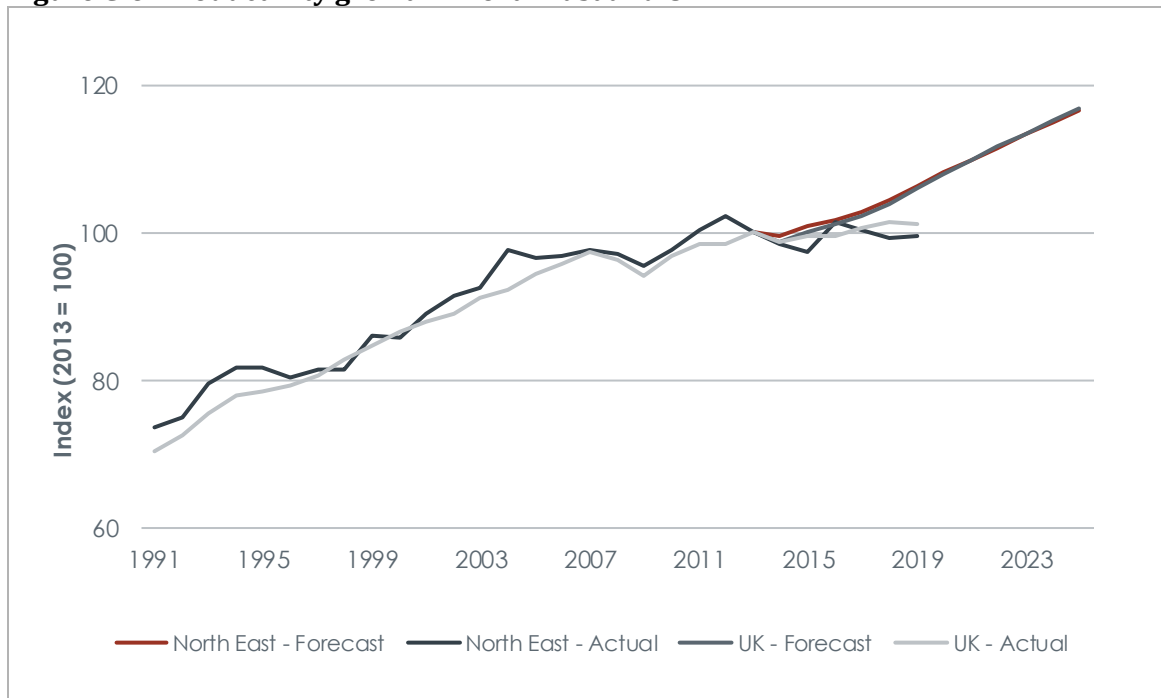
C.16 Despite being slower than expected, it is notable that productivity growth in Tees Valley over 2013-19 outperformed growth at the North East and UK levels (the former declined by 0.1% p.a., whilst UK productivity grew by 0.2% p.a.).

Figure C-5: Productivity growth – Tees Valley



Source: Cambridge Econometrics

Figure C-6: Productivity growth – North East and UK



Source: Cambridge Econometrics

C.17 Productivity growth underperformed expectations across almost half of Tees Valley’s sectors (see Table C-3). Transport and storage, Manufacturing, and Mining and quarrying were the weakest performers relative to expectations, whilst Construction, Distribution and Other services performed closer to expectations. More positively, productivity growth over 2013-

19 exceeded forecasts for Agriculture, Electricity, gas and water which outperformed expectations by 11.4 pp and 6.6 pp respectively.

Table C-3: Tees Valley productivity growth by sector, 2013-2019

	Forecast growth (% p.a.)	Actual growth (% p.a.)	Percentage point difference (actual minus forecast)
Agriculture	-1.5	10.0	11.4
Mining & quarrying	4.8	0.4	-4.4
Manufacturing	2.9	-2.6	-5.5
Electricity, gas & water	-1.9	4.7	6.6
Construction	1.7	1.7	0.0
Distribution	1.1	1.4	0.3
Transport & storage	2.4	-4.4	-6.9
Accommodation & food services	1.5	-1.9	-3.4
Information & communications	4.3	1.3	-3.0
Finance & business services	0.1	1.3	1.2
Government services	-0.2	1.1	1.4
Other services	-0.1	0.5	0.6

Source: Cambridge Econometrics

Conclusion

- C.18** Over 2013-19, productivity growth in Tees Valley was stronger than the UK, and in contrast to the UK wide trend of flatlining productivity. However, despite stronger than expected productivity growth, GVA and employment growth in Tees Valley were slower than forecast and underperformed relative to the wider region.
- C.19** Observed differences in expected GVA growth and actual GVA growth are likely to be largely due to deviation in actual growth compared to forecast growth. It is difficult to estimate the extent to which improvements in the ONS GVA methodology causes possible variances between forecast and actual outturns, as each locality and sector will be affected differently. However, on the whole, the new ONS data are likely to have had limited impact on the deviation of actual GVA growth from what was expected in the Baseline Report at the Tees Valley broad sector level.

SQW

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About us

SQW Group

SQW and Oxford Innovation are part of SQW Group.

www.sqwgroup.com

SQW

SQW is a leading provider of research, analysis and advice on sustainable economic and social development for public, private and voluntary sector organisations across the UK and internationally. Core services include appraisal, economic impact assessment, and evaluation; demand assessment, feasibility and business planning; economic, social and environmental research and analysis; organisation and partnership development; policy development, strategy, and action planning. In 2019, BBP Regeneration became part of SQW, bringing to the business a RICS-accredited land and property team.

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Oxford Innovation is a leading operator of business and innovation centres that provide office and laboratory space to companies throughout the UK. The company also provides innovation services to entrepreneurs, including business planning advice, coaching and mentoring. Oxford Innovation also manages investment networks that link investors with entrepreneurs seeking funding from £20,000 to £2m.

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TEES VALLEY
COMBINED
AUTHORITY

TEES VALLEY MAYOR

TEES VALLEY COMPLEMENTARY REPORT 2020





Overview

This report provides a comprehensive overview of the approach Tees Valley Combined Authority (the Combined Authority) has adopted for investing in the region. It provides further context to the Independent Gateway Review Report produced by SQW and should be read alongside that document. The following details progress made to date in implementing our vision for the region, outlining the challenges and rationale for devolution, while highlighting the changing perceptions of the region and the unprecedented scale of opportunity that exists for driving economic growth in the Tees Valley.

Background

The Tees Valley connects five distinct boroughs, Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, Stockton-on-Tees, with the river Tees running through each, forming a functioning economic geography.

With a combined population of circa 670,000, 90% of whom live in five principal settlements, a business base of 17,200 enterprises with a total output of £11.2 billion in 2015 (the year before devolution), the region continued to trail the growing prosperity of England. It had an output gap of circa 25% (£4.3 billion in 2015 values), largely due to too few businesses (low business density) and jobs (low employment density).

With a long history of successful partnership working, the five Local Authorities sought additional economic powers to address that output gap which previously blighted the lifetime opportunities and aspirations of residents and businesses. They recognised adequate investment could turn the region into a prime contributor to the UK economy.

Negative Reflections



Positive Reflections



| Source: University of Northumbria: Perceptions of Tees Valley Study

The Devolution Deal

In November 2015, the Devolution Deal (the Deal) was signed between the Department for Communities and Local Government (DCLG) and Tees Valley Combined Authority, calling for:

“the transfer of significant powers for employment and skills, transport, planning and investment from central government to the Tees Valley. It paved the way for further devolution over time and for the reform of public services to be led by Tees Valley. It enables the Combined Authority to create an Investment Fund, through a 30 year initial allocation of funding for capital financing of at least £15 million a year. Tees Valley will in addition have access to the Local Growth Fund and will benefit from new Enterprise Zones, subject to the current bidding round.”

The original devolution deal was viewed by the Combined Authority and Central Government as the first stage in a longer-term process of the transfer of applicable responsibilities between the two tiers of authority.

Devolution had three high level aims:

- Accelerate economic growth for the benefit of the whole of the UK and the Tees Valley, playing our full role in the Northern Powerhouse
- Improve life chances and opportunities for communities so that local people directly benefit through improved prosperity and wellbeing
- Strengthen our place as a vibrant location in which to live, work, invest and visit

These aims were translated into three transformational workstreams:

- **Workstream 1: Transformational Local Investment Fund:** To provide investment and strategic commissioning capacity. Investment in vital infrastructure, improved connectivity and business support will strengthen our globally significant industries and further stimulate innovation and diversity across all sectors
- **Workstream 2: Education, Employment and Skills:** To improve life chances and opportunities for communities so that local people directly benefit through improved prosperity and wellbeing, and have the skills, education and confidence to succeed
- **Workstream 3: Enablers of Growth (housing, infrastructure and innovation):** To unlock sites for development, improve infrastructure and stimulate innovation and provide business support and access to finance

The deal enabled the Combined Authority to create an Investment Fund through a 30-year initial allocation of funding for revenue and capital financing of at least £15million per year. In addition, it established the Combined Authority as Intermediate Body status for the European Regional Development Fund and European Social Fund, allowing us to integrate and align investments with other aspects of the devolution deal, select projects for investment, improve performance and maximise economic impact.

To realise these ambitions, a Strategic Economic Plan (2016) and ten-year Investment Plan (2019) were created.

Strategic Economic Plan

- Sets out the steps that are being taken to overcome the barriers to business growth within Tees Valley
- Places SMEs, innovation and individuals at the centre of our region’s growth ambitions
- Includes our priorities to improve, diversify and accelerate growth in the local economy to benefit businesses and residents
- Our ambition is to create 25,000 jobs and add £2.8billion to the economy by 2026
- The aim is to become a high-value, low-carbon, diverse and inclusive economy

Investment Plan

- Sets out, at a high level, the transformational investments that the Combined Authority will commit resources to, subject to the detailed consideration and appraisal of business cases.
- Our investments will drive growth in line with the vision outlined in our Strategic Economic Plan and over the period will see the delivery of significant economic benefits to the Tees Valley.
- The total impact will see 16,475 direct jobs and £1.48billion of additional cumulative annual output (GVA), over its lifetime

Our Investments

Investment Plan activity has been prioritised across six growth generating themes, in line with the SEP:



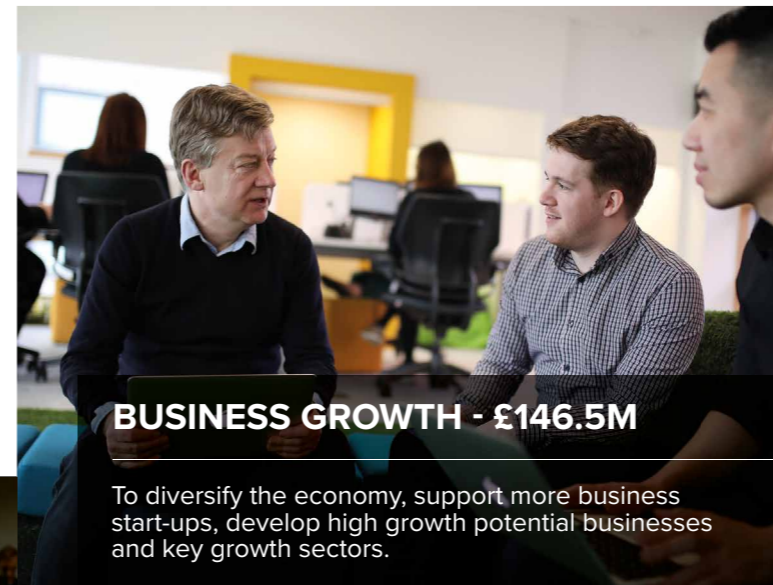
CULTURE AND TOURISM - £60M

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



TRANSPORT - £256.7M

To improve connectivity within Tees Valley, across the Northern Powerhouse, the UK and the world.



BUSINESS GROWTH - £146.5M

To diversify the economy, support more business start-ups, develop high growth potential businesses and key growth sectors.



PLACE - £50M

To create a vibrant, attractive and sustainable Tees Valley by revitalising our town centres, urban cores and communities, bringing forward surplus public and blighted brownfield land for development and strengthening our commercial property offer.



EDUCATION, EMPLOYMENT AND SKILLS - £55M

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



RESEARCH, DEVELOPMENT AND INNOVATION - £20M

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

Dynamic Environment Since 2016

Although the Mayoral Combined Authority was set up to address the economic challenges at the time of the deal, the Tees Valley is not immune to exogenous and endogenous factors which can impact on the development path of the region. Significant changes include:

Factor	Description
Political	<ul style="list-style-type: none"> In common with other Mayoral and Police Commissioner elections, a comparatively low turnout rate for initial election (21.3%) The creation of the Combined Authority with an elected Mayor will provide a new opportunity for a long-term dialogue with Central Government and key National Agencies, with potential to pool and lever additional funds and develop a single pot approach
Economic	<ul style="list-style-type: none"> Threat of closure of a strategic asset in Teesside International Airport, formerly Durham Tees Valley Airport Global restructuring of trade/Just in Time Production Processes becoming increasingly fractured, leading to the need to reshore manufacturing Significant economic shock arising from the impact of Covid-19 impacting business and employment rates in key sectors.
Social	<ul style="list-style-type: none"> The impact of Covid: Social lockdown exacerbates the digital divide and adversely affects female participation rates Welfare reforms have increased the need to ensure the working age population is able to take up employment opportunities and better-paid opportunities in the local job market The academy system makes it more difficult to improve attainment levels for secondary school students and to introduce a consistent and high quality information, advice and guidance system.
Technological	<ul style="list-style-type: none"> Net Zero targets and the rebalancing of the economy towards Clean Growth Diversification of intermediate goods into higher value adding markets
Legal	<ul style="list-style-type: none"> The UK's withdrawal from the European Union will create new opportunities for redefining our external trading arrangements and a need for a new Industrial Strategy which recognises the importance of a rebalanced economy, both sectorally and geographically
Environmental	<ul style="list-style-type: none"> The UK's commitment to decarbonising those industrial sectors which are heavy users/producers of energy, along with the recent commitment to climate change agreed in Paris, has implications for the Tees Valley's industrial companies

Source: Tees Valley Strategic Economic Plan (2016) and Covid Response Plan (2020)



Revised Institutional Arrangements and Indicators

In response to these challenges the Combined Authority has adopted the following new institutional and behavioural attributes:

New Behaviours	Description
Increased transparency in decision making	<p>At the heart of the Combined Authority's decision-making process is transparency. The actual process is clearly articulated in the revised Assurance Framework but this process of transparency is most noticeable through a number of new behaviours:</p> <ul style="list-style-type: none"> When the Mayoral Combined Authority was established in 2016, the region's Local Enterprise Partnership was integrated with it to form one organisation. This arrangement, unique to Combined Authorities, is an exemplar approach to bringing the public and private sector together to drive forward a shared vision for economic growth. LEP Board members are also Associate Members of the Combined Authority Cabinet, giving the private sector a pivotal role in influencing the development and delivery of Combined Authority strategies, so the business community is heard at the highest level The requirement for full Green Book compliant Five Case Model Business Cases for all major funding decisions. These public documents outline the associated costs, benefits and risks for all options and provide a clear rationale as to the selection of the preferred option All decisions and supporting information is detailed on the Combined Authority website and shared with Government departments The Investment Plan applies the Assurance Framework consistently across all funds within it. The Assurance Framework identifies the processes for securing funds from the Tees Valley Investment Fund and requirements of delivery partners once projects are approved The directly elected Mayor of the Tees Valley provides a democratically accountable decision-maker, alongside the five Local Authority Leaders who are also voting Cabinet members each responsible for their own portfolio in line with the growth generating themes set out in the Investment Plan
Enhanced community buy-in	<p>Communities need to be made aware of what is being spent locally (increased transparency of decision making) but also need to understand how these decisions affect them. The Combined Authority, through its perceptions work, is actively engaging with communities to ensure they are aware of the organisation's work and are involved in the update and development of policy and project implementation. The impact of this has been evidenced by the increased awareness of and satisfaction levels for its six principal interventions.</p>
Targeted community impacts on those with most need	<p>In developing interventions, business case development has begun to focus investment on those areas and communities most in need. Greater area-based analysis is being utilised to identify and quantify the impact on target groups and, using distributional analysis, better assess comparative benefits. In addition, modifications to the internal business intelligence tool, procurement processes and a consistent monitoring and evaluation approach mean impacts on targeted communities is captured and more routinely communicated.</p>
A more commercial approach/an increased risk appetite	<p>Perhaps the most significant change in behaviour relates to the management of investment funds. By moving away from a reactive, output-driven programme approach to funding, and project selection (simply managing the delivery of national programmes), the Combined Authority has developed a proactive outcomes single pot approach providing flexibility and enhanced targeting on the most regionally significant projects. In line with this, the Combined Authority also sought the flexibility to use its devolution deal monies as capital and revenue support. This single pot approach has brought significant benefits: better targeting of resources on activities of greatest impact (outcome approach), and an enhanced commercial approach and increased risk attitude illustrated by a desire to work with both public and private sector partners and to move the region along the financial ecosystem (from just using grants and increased use of loans and ultimately to equity).</p>
Move away from 'silo thinking' and making the case for intervention	<p>The move to a single pot approach to project funding brought an ability to break out of programme silos and develop bespoke interventions with a wider range of benefits across all themes. In line with the five-case business case approach, all Combined Authority business cases begin with a high-level theory of change and logic model outlining the benefits which the intervention could have. This approach is supported by the Commercial and Delivery team, facilitating the development of the business case and ensure consideration and buy-in across the full range of themes in the Strategic Economic Plan.</p>
Development of special purpose vehicles to target resources on areas of greatest impact	<p>To address a deficit in strategic economic development powers in the region, Government gave Tees Valley the powers to create democratically controlled Mayoral Development Corporations. The Combined Authority has thus created South Tees Development Corporation and Teesworks offer, the UK's biggest industrial zone aiming to become a nationally leading Clean Energy Cluster. The Combined Authority has also been to the fore in developing a Freeport proposition which will augment the Mayoral Development Corporation powers and act as a catalyst to this.</p>

Decision Making

The Combined Authority's approach to investment has seen the establishment of a 'Single Pot' of funding, including:

- Devolution Funds (the devolution deal £15m p.a. for 30 years)
- Local Growth Fund (LGF)
- Transforming Cities Fund (TCF)
- Enterprise Zone business rates
- Investment returns

The Combined Authority's Devolution grant will fund 55% of the investment plan with the other funding identified making up the other 45%. The long term security of devolution funds, other income and the devolution deal powers means that the Combined Authority is able to borrow against future funds, to enable us to deliver transformational activity sooner rather than delivering smaller scale and less impactful activities based on a smaller annual allocation. This has seen us accelerate delivery over recent years, as noted by SQW:

“The total Investment Fund expenditure of £83m up until the end of Q1 2020/21 therefore represents c.130% of the government grant provided to date”

This approach allows the Combined Authority to stimulate up-front investment, as the release of devolution funds over the 30 year period is not index linked, its spending power is far greater today than it will be in the future. Based on a standard discount rate of 3%, it is financially advantageous to forward-fund our programme of investment as prudential borrowing rates are lower.

The Combined Authority does not distinguish between different sources of funding for the purpose of Investment Planning, other than recognising that some sources of funding are restricted in what they can be used for. The Tees Valley Investment Plan therefore covers all funding sources and income currently available to the Combined Authority, not just the funds provided through the devolution deal.

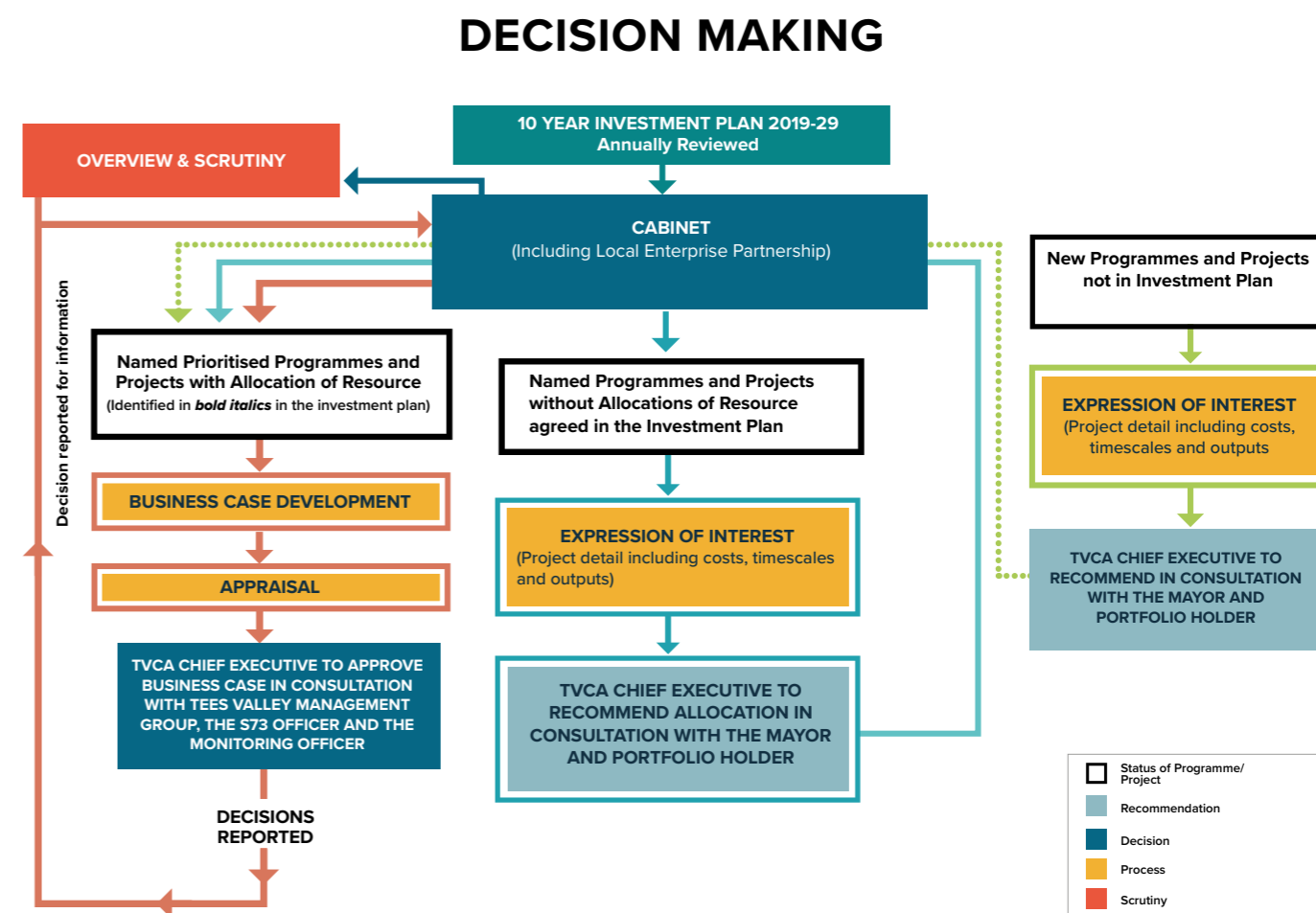
The Tees Valley Combined Authority is its own Accountable Body for all funds received from government and is also the Accountable Body for the fully integrated Local Enterprise Partnership – a unique situation across the UK's Combined Authorities. As such, all activity within the Tees Valley Investment Plan is subject to the governance arrangements outlined in the Tees Valley Assurance Framework which covers all funds with the Tees Valley Investment Fund.



The Investment Plan identifies the ten-year investment priorities against all Combined Authority sources of income and applies the Assurance Framework consistently across all funds within the Investment Plan. The Assurance Framework clearly identifies the processes for securing funds from the Tees Valley Investment Fund and the requirements placed on delivery partners once their projects have been approved.

This means that any organisation seeking funding from the Combined Authority is assured that one clear process is in place and the Combined Authority will best match the funding to the opportunity as identified in the funding agreement with the delivery partner.

The decision making process and governance arrangements described are illustrated in the diagram below:



The Combined Authority is committed to an approach that will see all programmes and projects subject to comprehensive but proportionate monitoring and evaluation, in order to reliably inform the decision making process.

The approach we have adopted goes further than the requirements for monitoring and evaluation for just the Devolution Deal, ensuring that all Combined Authority activity is consistently monitored and evaluated and that the added value of the organisation can be demonstrated to both local and national stakeholders.

The Combined Authority is committed to the effective monitoring and evaluation of all supported activity, so that it is best able to:

- Provide local accountability to the public, partners and local stakeholders by demonstrating: how devolved funding is spent, ensuring value for money and that all benefits are identified, tracked and achieved in line with the Strategic Economic Plan (2016), the Local Industrial Strategy (draft 2019) and the Tees Valley Investment Plan (2019) in the interests of operating on an open and transparent basis
- Comply with external scrutiny requirements: to satisfy conditions of the Devolution Deal and specifically the Assurance Framework which ensures that all Combined Authority and partner resources can demonstrate value for money and appropriateness of use at both the appraisal and evaluation stages
- Provide both a summative and formative function: by assessing the impact of the overall programme and all supporting projects, in order to assess additionality. Conducting the ongoing review of the programme in order to determine overall viability together with developing recommendations for future activity and delivery

Addressing the Change – Case Studies

South Tees Development Corporation – Teesworks

Background and Description:

In October 2015, the closure of SSI Steelworks in the borough of Redcar and Cleveland caused the loss of circa 2,000 jobs, impacting individuals and communities across the Tees Valley and leading to a loss of one of the region's major steelworking assets. Outward perceptions of the region dropped following negative media coverage of the event.

Our devolution deal allowed us to address the loss of assets and infrastructure by granting the region the ability to create a Mayoral Development Corporation, with direct powers over regeneration and land acquisition, leading to the establishment of the South Tees Development Corporation in August 2017, the first Mayoral Development Corporation outside of Greater London.

- The Development Corporation area, now marketed as Teesworks, is a 4,500-acre area south of the River Tees, including the former SSI steelworks land and assets. The organisation, chaired by the Tees Valley Mayor, was established with the express purpose of remediating and redeveloping the land for inward investment, with a master plan to create 20,000 jobs and drive £1billion per year into the regional economy

Application of New Behaviours:

Development of special purpose vehicles to target resources on areas of greatest impact

Bringing the land back into local control led to the transition of the South Tees Site Company – an interim Government body responsible for the keepsafe and security of the site – from BEIS to the Combined Authority Group. This allows for a flexible and responsive approach in reacting to site challenges and enable even closer integration of the Development Corporation and Combined Authority as we move to the later stages of transformation of the site.

Enhanced community buy-in

Our approach is changing the narrative of the Teesworks site, and the surrounding area, to one of opportunity. The UK's largest industrial zone is now being seen as ripe for investment for the clean technologies of the future, including carbon capture, hydrogen and offshore wind, which will sustain high-quality careers for generations to come.



A more commercial approach/an increased risk appetite

Devolved powers allowed the Combined Authority to launch compulsory purchase proceedings in respect of the outstanding developable land, alongside ongoing talks to secure deals with landowners where possible. Having these powers within our locale allowed us to accelerate the purchase of outstanding land, kickstarting ground investigations and subsequently remediation work much earlier than had we progressed via central Government.

We have also been enabled to begin talks with investors and help bring them on-site more quickly. This includes Net Zero Teesside, the UK's ground-breaking carbon capture, utilisation and storage (CCUS) project aiming to develop the UK's first decarbonised industrial cluster. Working towards the UK's Net Zero ambitions and our own clean energy and CO2 commitments as outlined in the deal, the scheme is estimated to bring £450million in annual gross benefit to the region and could support up to 5,500 direct jobs during construction alone.

Anticipated Outcomes:

- 4,500 acre prime industrial zone focused on clean and renewable energy
- 20,000 jobs delivered over 25 years
- £393million of capital investment over the next 12 months
- An additional £1billion of GVA added per year to the regional economy within 25 years



Strategic Transport Plan (£256.7m programme)

Background and Description:

The Strategic Transport Plan, for the period up to 2030, has been established to address issues and opportunities relating to the Tees Valley-wide transport system. It has been developed in collaboration with our five Local Authorities and led by the Combined Authority in its role as the local transport authority for the region as agreed in the Devolution Deal. It covers rail, roads, buses, aviation, cycling and walking and freight.

The vision for the Strategic Transport Plan is:

“To provide a high quality, quick, affordable, reliable, low carbon and safe transport network for people and freight to move within, to and from Tees Valley”

It has long been recognised that transport is a means to an end, not an end in itself. In recognition of this we have developed the Strategic Transport Plan to deliver three broad objectives.

Social Equality:

- Improving access to employment, skills, training and education
- Improving access to healthcare, leisure, culture and retail
- Enhancing health and wellbeing
- Improving community safety and security

Economic Growth:

- Supporting the development of 22,000 new homes
- Supporting the creation of 25,000 new jobs
- Improving productivity through enhanced freight connectivity
- Providing quicker, more reliable journeys

Carbon Reduction and Environment:

- Reducing carbon emissions
- Enhancing and protecting the natural and built environment
- Improving air quality

Previous transport funding sourced from national Government was delivered at Local Authority level, for smaller-scale localised interventions. Following the Devolution Deal, funding above and beyond the merged local allocations was awarded to the region as we look to develop more transformational large-scale interventions. Furthermore, the Combined Authority works closely with key stakeholders, including Network Rail and Highways England, to leverage additional investment from Government to deliver our major projects.

Key projects include:

- The development of a new A19 River Tees Crossing
- Capacity improvements and redevelopment of major, strategically important stations in Darlington and Middlesbrough for passengers and freight
- Improving the cycling and walking network
- Delivering first-class facilities, technology and infrastructure to support the regeneration and growth of Teesside International Airport
- Enhancing mobility through the continued provision of Tees Flex, our on-demand bus service and the expansion of Wheels 2 Work

Application of New Behaviours:

Move away from ‘silos thinking’ and making the case for intervention

The strategy recognises that access to transport provision is an overarching issue in driving economic growth across a full range of themes including: access to education, skills and employment; the optimisation of freight pathways to support business and increase inward investment; and recognising transport, such as walking and cycling, can be a culture and tourism activity in and of itself. The strategy acknowledges each area’s strengths in assets, from Darlington’s East Coast Main Line station to Redcar and Cleveland’s port infrastructure and while there is need for key interventions, we must also ensure connectivity across the entire transport system.

Targeted community impacts on those with most need

Wider social equality considerations assure that targeted improvements are made in those areas of the greatest need, for example the Tees Flex on-demand bus service and the Wheels 2 Work project.

Enhanced community buy-in

Moving away from considering transport interventions at a Local Authority level has led to a wider strategic approach. This has enabled a focus on movements both within and beyond the Tees Valley, which reflects the functioning economic geography. The devolved funding has also provided the region with an opportunity to deliver against these strategic priorities. The close working relationship with the Local Authorities has ensured continued engagement at a local level.

Anticipated Outcomes:

The Combined Authority is seeking to deliver the following outcomes:

- Increase rail capacity to support aspirations for a minimum 30-minute local service frequency at every station, better long distance connections, while also growing rail freight
- Improvements across our 24 railway stations to enhance the passenger experience and integrate travel between train, bus, bicycle or walking
- Provide a third of Tees Valley households with easy access to a walking or cycling route by 2028
- Improve facilities on our key bus corridors to reduce journey times for buses and enhance the passenger experience
- Deliver the infrastructure necessary to enable a move away from petrol and diesel vehicles to “greener” vehicles, reducing carbon emissions, improving air quality and complementing our aspiration to grow a low carbon Tees Valley economy as outlined in the Strategic Economic Plan



Indigenous Growth Fund (£50m programme)

Background and Description:

The Indigenous Growth Programme (the Programme) has been developed to promote area regeneration in support of economic growth in each of the five key settlements of the Tees Valley. The Programme aims to address the multi-centred nature of the Tees Valley and develop the necessary critical mass for the region to compete for inward investment and talent retention and attraction against other city regions of similar scale across the United Kingdom and internationally.

The vision for the Programme is:

“To create by 2025, a more competitive place proposition for the Tees Valley, capable of attracting significant inward investment and talent attraction and retention, thereby creating the necessary environment for economic growth and ensuring community vitality.”

Previous regeneration funding sourced from national Government has been focused on depressed and marginalised areas. What is required now is the need for a balance of investment in all areas – both weak and strong – aimed at promoting overall sustainable economic growth for the region.

The nature and scale of regeneration interventions will be different in various areas. There is a need to maximise the potential from opportunity while also addressing local need and this is best delivered by local bodies making the decisions, within the context of a region-wide Programme.

Capital support for:

- The remediation/regeneration of vacant and derelict land and property
- Public realm initiatives aimed at creating vibrant town centres
- Strategic housing initiatives aimed at creating vibrant town centres
- Investment in the provision of specialist culture and tourism accommodation and fit out
- Investment in the provision of specialist (sector specific) business accommodation and fit out
- Operating costs for discrete programmes designed to support associated capital expenditure

Application of New Behaviours:

Move away from ‘silo thinking’ and making the case for intervention

Integrated Sectoral Approach: The Programme reflects local strengths but is also aware of the needs of the region’s priority sectors. Key locations have existing/emerging strengths to warrant further investment so that they have the critical mass to be able to compete nationally/internationally. There is a clear need for spatial sectoral prioritisation across the region.

Targeted community impacts on those with most need

Asset-based approach: It is important that while understanding where additional support needs exist, the collective focus is not on the deficits of an area but rather the assets that communities have. To support communities to be sustainable the Programme must identify the assets that exist – economic, physical and social – and use these assets to deliver sustainable positive change, in particular updating/reusing existing premises and brownfield sites in preference to new build and in green space. In simple terms, the business case will ask: “What makes this place good and where do the opportunities lie?” and “What expertise and skills does the local business base have?” Preventative Spend: Focusing national and local resources on securing the sustainability of the Tees Valley’s communities not only helps to tackle deprivation and reverse decline, but also plays a key part in ensuring that communities are resilient. In turn this can reduce the need for regeneration in the future and helps support sustainable economic growth for the entirety of the region.

Preventative Spend

Focusing national and local resources on securing the sustainability of the Tees Valley’s communities not only helps to tackle deprivation and reverse decline, but also plays a key part in ensuring that communities are resilient. In turn this can reduce the need for regeneration in the future and helps support sustainable economic growth for the entirety of the region.

A more commercial approach/an increased risk appetite Investment Led Approach

Although the Programme may operate in areas of extreme market failure, where there is a need for 100% grant funding, there is also the expectation that investment will generate not only economic but financial returns which may subsequently be reinvested by the authorities within those same communities, in essence devolving gain-share opportunities across the region and in line with the overall Tees Valley Devolution Deal with Government.

Anticipated Outcomes:

- 60,000 sq m of business space created to BREEAM standards (Minimum of Very Good) by 2027 supported through the development of circa 19 hectares of vacant or derelict land reclaimed or redeveloped by 2027
- Circa 2,185 new homes created (assuming 15 per hectare by) 2027
- Circa 24,000 sq m of public realm upgraded/developed by 2027
- 25% reduction in vacant properties in respective public realm areas by 2027
- 25% increase in footfall in respective public realm areas by 2027
- 80% of Tees Valley residents being optimistic about their own and their communities’ life opportunities over the next five years
- 4,999 direct jobs created by 2027
- £240million of additional GVA per annum by 2027





Covid Response

Background and Description:

In our role as the lead regional agency for economic development, the Combined Authority has responded to the COVID-19 outbreak by analysing its local economic impact, providing business and employment support, signposting and advice and reporting economic intelligence to government. Working with partners, we have also taken a lead on economic recovery planning.

In the first phase of the outbreak the Combined Authority established a 24/7 Business Support Helpline to act as a single point of contact for Tees Valley companies and individuals in relation to COVID-19 and the support available to them. To date more than 2,000 enquiries have been received. We have also launched the Buy Local Tees Valley website to connect local people with businesses and tradespeople operating differently during the lockdown and beyond. Almost 1,000 businesses are now registered.

As the economy began to re-open in July, Combined Authority launched a Welcome Back Fund, helping 355 small and medium-sized businesses in the leisure, culture and tourism sectors to reopen as part of the July easements. As part of our Back to Business Fund over 200 small businesses are eligible to receive funding for professional support helping them adjust to new challenges. 24 business owners have also joined a Peer to Peer Network providing business support for common coronavirus related business challenges.

The Combined Authority has also pledged to support over 100 apprenticeships with a subsidy for new apprentices in priority sectors. To date 155 applications have been received with 111 recommended for approval and 105 applications progressing. We are also supporting the Government's Kickstart Scheme of six-month paid work placements for young people aged 16-24 years of age. Working with local partners and Central Government, we have acted to ensure rapid and targeted support for those most severely impacted in the short term becoming a Kickstart 'Gateway'. Since becoming a 'Gateway', the Combined Authority have applied to the DWP on behalf of 159 businesses for 501 job placements.

Application of New Behaviours:

Move away from 'silo thinking' and making the case for intervention

Without devolution to a Mayoral Combined Authority there would have been no central agency in the Tees Valley as effectively able to coordinate the local economic response or provide vital intelligence to central government to inform the national response. It has also allowed us to shape this response regarding our six key themes as laid out in the Strategic Economic Plan, in particular considering employment and skills, place and infrastructure and the regeneration of our region's high streets.

Our recovery approach is not just designed to help the regional economy come to terms with the disruption of the pandemic, but to accelerate our progress along the path to future growth, already charted in our Strategic Economic Plan and Local Industrial Strategy. This is to position the Tees Valley as the UK's hydrogen capital, a pioneer region for Carbon Capture, Utilisation and Storage and clean growth technologies and to develop pioneering capabilities in industrial digitalisation providing good jobs, with long-term opportunities.

Targeted community impacts on those with most need

As lead regional agency for economic development, we are taking leadership of Tees Valley's economic recovery planning and have developed a package of targeted measures designed to help businesses and residents impacted by the pandemic recover quickly, thrive and become resilient to future shocks. Our Welcome Back Fund and Apprenticeships grants highlight our flexible responsive approach to funding and investment enabling us to use our resources to target those individuals and businesses worst hit by the pandemic in the short term, namely, the hospitality industry and young people.

Anticipated Outcomes:

- 2,000 businesses assisted
- 355 SMEs supported to re-open for trading
- 105 additional apprenticeships
- 192 Kickstarter Placements

Education, Employment and Skills

Background and Description:

The Devolution Deal with Government transferred powers and funding allocations for our Adult Education Budget, to allow us to more effectively target our investments to help develop the skills that our businesses need to thrive and align them with our priorities as set out in the Strategic Economic Plan.

We used these powers as a jumping-off point to develop our full education, employment and skills strategy, Inspiring Our Future, to develop interventions at every level of education from secondary school onwards, working with key partners and businesses.

It is focused on supporting innovation and collaboration in education, transforming careers and enterprise education, developing a skills system for business growth, addressing long-term unemployment and enhancing the role of higher education in driving economic growth. It assists businesses to identify and address current and future skills gaps in industry alongside creating new paths to work.

Application of New Behaviours:

Move away from 'silo thinking' and making the case for intervention

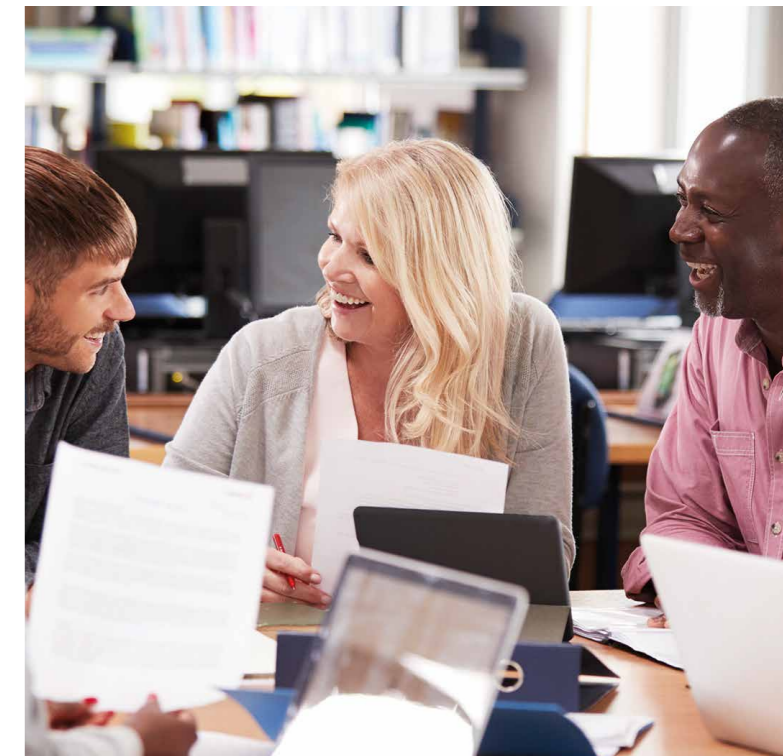
Having control of our adult education provision has helped us work ever closer with local providers and develop plans for a Teesworks Skills Academy. The Skills Academy will link investors, employment hubs, skills providers, jobseekers and apprentices to give the local workforce the expertise businesses and employers at the site will need to grow and succeed, further focusing on a collaborative, business-led approach to skills and employment, highlighting our joined-up approach to investment.

In addition, since the launch of Inspiring Our Future, TeesValleyCareers.com has been established, working with every school and college in the region to give young people seven or more meaningful interactions with employers. To date, 923 businesses across the region have signed up to provide these. Aligning business needs with skills will be crucial to the continuing development of our regional business base and economic success.

Targeted community impacts on those with most need

We have supported the creation of more than 1,500 apprenticeships across our apprenticeship support for employers grant schemes. This includes 105 created as a result of the Emergency Apprenticeships Grant, introduced as a response to Covid-19, recognising that people aged 16-20 will be disproportionately impacted by the economic effects of the virus.

We have also fully implemented and subsequently expanded the DWP Innovation Pilot Routes to Work, engaging with more than 2,800 residents furthest away from the labour market with complex needs and supporting more than 488 into employment. One such resident, a former steelworker, was supported by



Rotes to Work into training and then employment with Hall Construction, carrying out work remediating the Teesworks site, demonstrating the value of a joined-up approach.

Anticipated Outcomes:

- Delivering 1,500 apprenticeships across our apprenticeship support for employers grant schemes
- Engaging with more than 2,800 residents furthest away from the labour market with complex needs and supporting more than 488 into employment
- Working with every school and college in the region to give young people seven or more meaningful interactions with employers, with 923 businesses across the region signed up

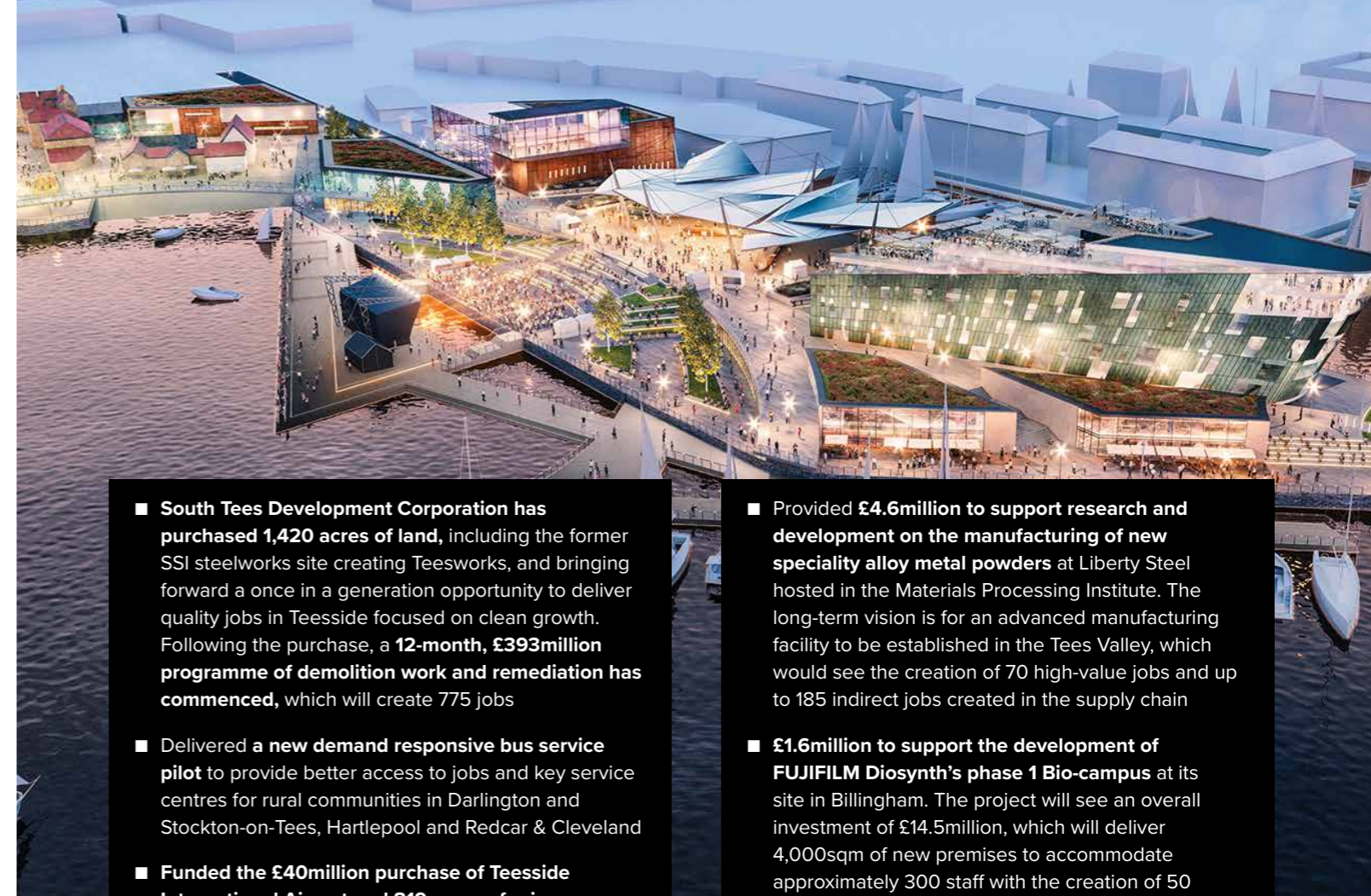
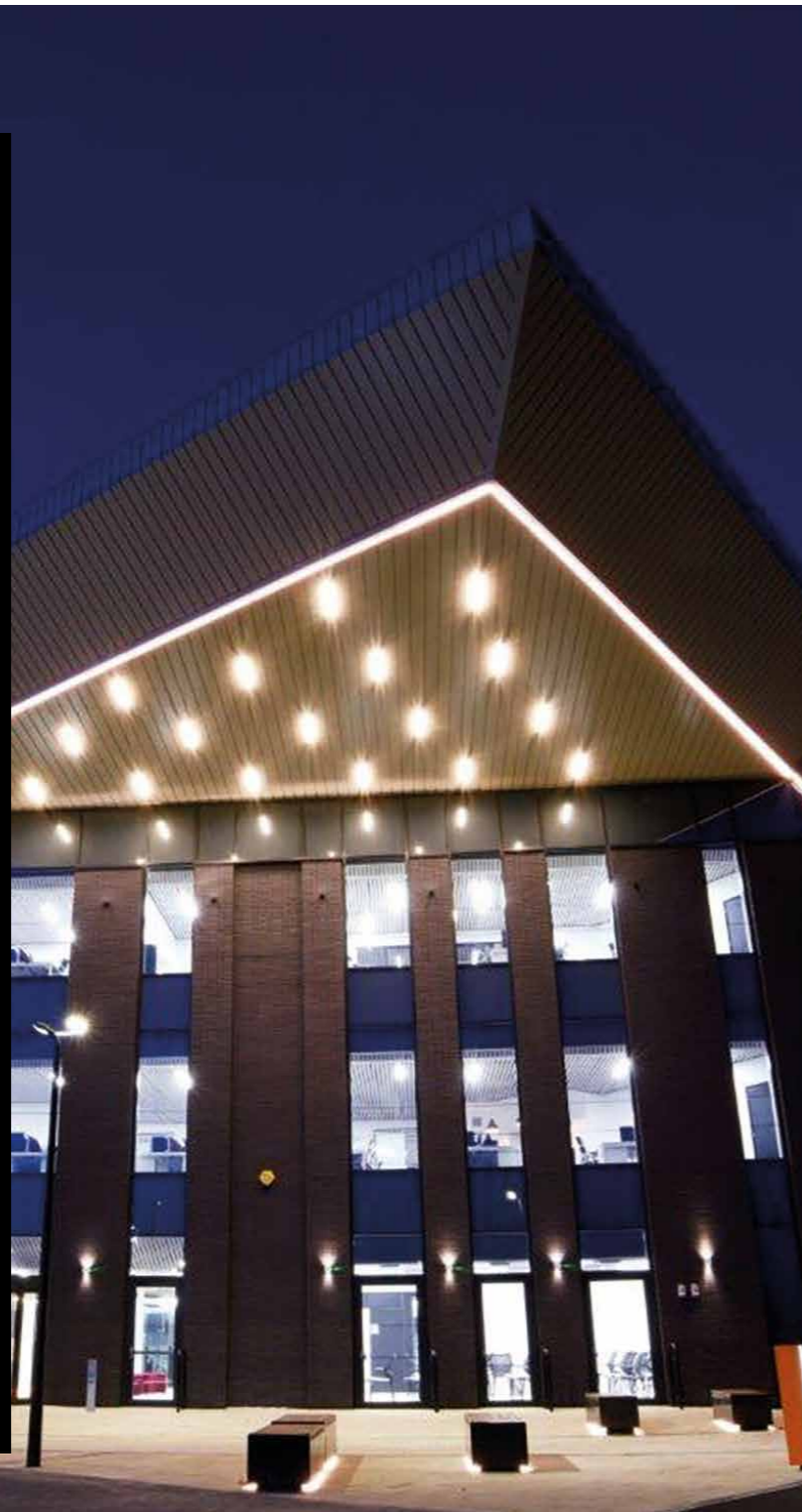
Impact

As our Investment Plan is only into its second year of delivery, collecting clear evidence on intervention-level impacts, specifically of our Devolution Funds, is difficult due to the long-term nature of investments.

That said, the Combined Authority is acting to accelerate the delivery of our Investment Programme with £84.7million of total funds spent at Q2 2020, just 18 months into a ten year £588.2million programme. Furthermore, £207.3million of projects have been approved and are due to commence delivery, with a further £188million of projects presently developing business cases and only £108.2million of funds unallocated.

To date the Combined Authority has:

- **Funded the construction of the National Horizons Centre in Darlington, pictured right**, which will provide a centre for excellence led by Teesside University, specialising in training and education for the UK bioscience sector. This complements the nearby CPI and FUJIFILM Diosynth Biotechnologies in the key life sciences sector, building asset capital
- Begun work to transform our rail network with **£20million and £25million** respectively to support the strategic redevelopment of Middlesbrough and Darlington train stations
- Approved a **£50million scheme to improve town centres and indigenous growth** within our five constituent local authorities, delivering projects that will have a local economic impact and improve the lives of Tees Valley residents, while also contributing to our regional offer
- **Established Enjoy Tees Valley, the region's first destination marketing service** in more than seven years with the aim of attracting more than 20million people to the region and add £1billion per year to the local economy
- **Set up a £96.2million Business Growth Programme** supported by ERDF to 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 business support in Tees Valley for SMEs and large companies and launch the new Tees Valley Business Gateway, supported by new grant and business finance programmes



- **South Tees Development Corporation has purchased 1,420 acres of land**, including the former SSI steelworks site creating Teesworks, and bringing forward a once in a generation opportunity to deliver quality jobs in Teesside focused on clean growth. Following the purchase, a **12-month, £393million programme of demolition work and remediation has commenced**, which will create 775 jobs
- **Delivered a new demand responsive bus service pilot** to provide better access to jobs and key service centres for rural communities in Darlington and Stockton-on-Tees, Hartlepool and Redcar & Cleveland
- **Funded the £40million purchase of Teesside International Airport and 819 acres of prime development land** attached to the Airport. Infrastructure work has begun to develop a £200million, 270-acre major logistics and manufacturing park on the southside of the airport, with the potential to create 4,400 jobs per year and bring in £3million to reinvest in the airport

- **Provided £4.6million to support research and development on the manufacturing of new speciality alloy metal powders** at Liberty Steel hosted in the Materials Processing Institute. The long-term vision is for an advanced manufacturing facility to be established in the Tees Valley, which would see the creation of 70 high-value jobs and up to 185 indirect jobs created in the supply chain
- **£1.6million to support the development of FUJIFILM Diosynth's phase 1 Bio-campus** at its site in Billingham. The project will see an overall investment of £14.5million, which will deliver 4,000sqm of new premises to accommodate approximately 300 staff with the creation of 50 new jobs working on manufacturing and business administration. FUJIFILM Diosynth's existing facility will manufacture 60million doses of the Novavax COVID-19 vaccine, if the current Phase 3 clinical trial which is being run from Hartlepool Hospital, proves successful



Public Perceptions

Since December 2018, the University of Northumbria has conducted an annual independent survey involving more than 1,000 respondents across the five boroughs of the Tees Valley, with the specific objective of evaluating the community's perception of the area and their understanding of the role of the Tees Valley Mayor and Combined Authority. Surveys were collected in person and online and the findings for each year were compared to identify any significant differences in public perceptions.

Key Findings:

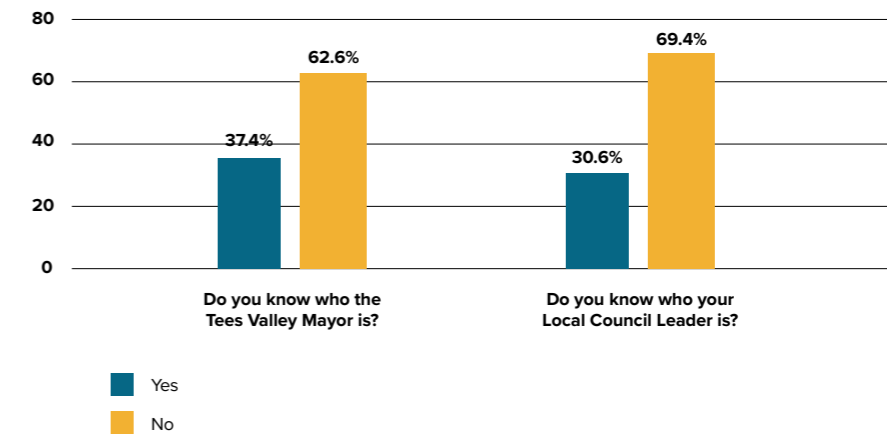
- **Improvement in optimism** is supported by an increase in the percentage of participants reporting that both Tees Valley and economic prospects in the area have improved over the last 12 months
- The increased optimism and **perceived improvements** in the area since our first report is also reflected in the **increased recommendation rate** of Tees Valley as a place to live, work and visit
- The community spirit, family and friends, low living costs and access to places (countryside, coast, other areas in the North East) are reportedly the best aspects of the Tees Valley
- **Perceptions of the impact that the Combined Authority has** on education, employment, business relationships and economic development **have improved** over the past 12 months
- **A higher reported awareness of the Tees Valley Mayor** compared to last year's report. Our investigation on the public's unprompted awareness of the Tees Valley Mayor has shown that a large percentage of the people can also identify the Mayor by name

The increase in satisfaction with the quality of life and opportunities in the area is also evidenced by the public's perceptions regarding improvements in the area.

Possibly the most visible improvement regarding the public perceptions of the Tees Valley area relates to the improvements in the area over the last 12 months.

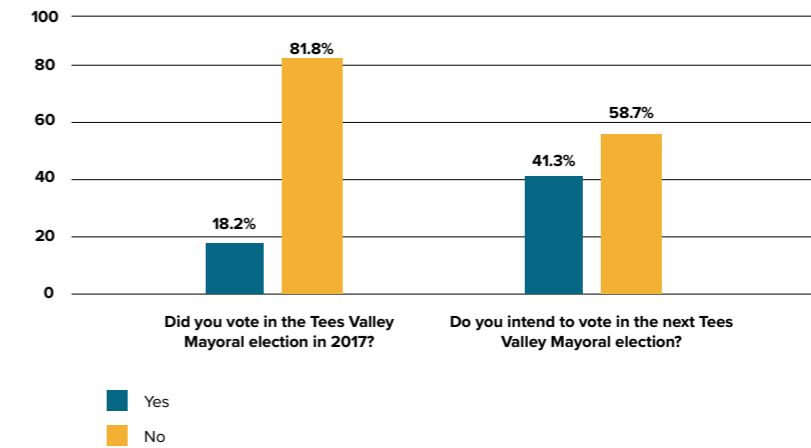
The statistics relating to the perceived improvements in the quality of life have seen a 5% increase since our last report (from 32% to 37%), while the statistics regarding the improvements in the economic opportunities in the area have improved by more than 3% (from 21.9% in 2018 to 25.2% in 2019).

Awareness of the Tees Valley Mayor and Local Council Leaders

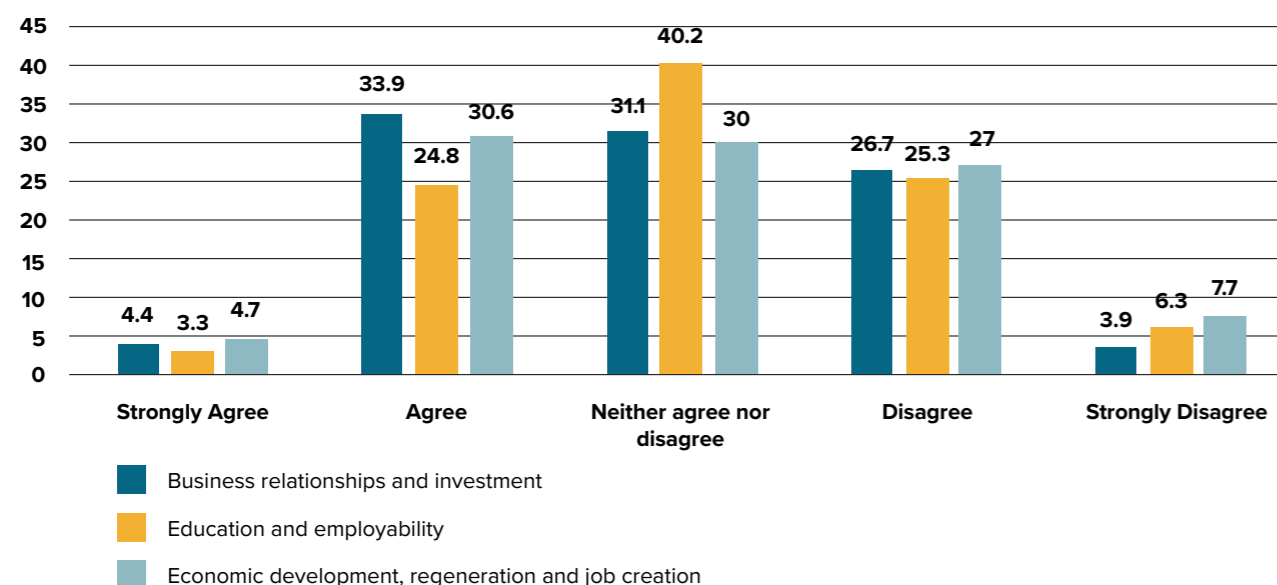


| This is a year-on-year improvement of 15% in increased awareness of the Elected Mayor.

Intention to Vote



The TVCA has made a positive impact on...



Conclusion

The Tees Valley has been through the process of early delivery and has laid the foundations for large-scale economic transformation across the next decade.

The impact of COVID-19 will necessitate a review of our approach to delivering these ambitions, as its economic impact has been immediate and deep. The Tees Valley already has over 13,000 more unemployment related claimants than a year ago and our analysis indicates that up to 37,200 workers are at risk of permanently losing their job by the end of 2020 – including over 6,000 young workers.

But devolution has provided the Tees Valley with a regional body not just able to coordinate the local response to the crisis and provide vital intelligence to central government, but to show leadership and chart a path to recovery.

There is a wider range of public sector funding opportunities that are not under the direct control of the Combined Authority, however, we are committed to seeking to exercise our substantial influence in how these are allocated and used. Our plan is to continue work with Government on an open dialogue basis on shared priorities and interventions that can enhance the use of our local resources to achieve a step change in the Tees Valley economy.

Even in the scale of this challenge we are committed to continuing to create the conditions necessary to secure significant, sustainable and continued future growth.



TEES VALLEY
COMBINED
AUTHORITY

TEES VALLEY MAYOR

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AGENDA ITEM 6**REPORT TO OVERVIEW AND SCRUTINY COMMITTEE****7TH JANUARY 2021****REPORT OF FINANCE AND RESOURCES SUB-COMMITTEE****BUDGET CONSULTATION REPORT****SUMMARY**

The Combined Authority is required to set out its Budget on an annual basis and to consult publicly before this Budget receives final approval by Cabinet.

The Overview and Scrutiny Committee has previously established the practice of convening a Finance and Resources sub-committee - made up of the committee's Vice-Chair and other members - to scrutinise the Budget in more detail, conduct a full analysis of the draft documents and contribute to this consultation process.

This report details the findings of the sub-committee and their consultation response to be provided to Cabinet at its meeting on 29th January 2021.

RECOMMENDATIONS

It is recommended that Overview and Scrutiny Committee:

- i. Note the process undertaken by Overview and Scrutiny Committee Finance and Resources sub-committee to scrutinise the Budget.
- ii. Note the conclusion of the Overview & Scrutiny Committee Finance and Resources sub-committee that the budget should be noted.
- iii. Approve the attached report for presentation to Tees Valley Combined Authority Cabinet on Friday 29th January.

DETAIL

1. The Overview & Scrutiny Committee agreed at its meeting on 13th September 2018 to establish the practice of convening a standing Finance and Resources sub-committee chaired by the Committee Vice Chair in order to focus on Combined Authority budget arrangements in detail when required, and to report back to the main committee.
2. The sub-committee is currently chaired by Councillor John Hobson (Middlesbrough Council) Vice-chair of the full committee. The other members of the group are Councillor Sue Jeffrey (Redcar and Cleveland Borough Council), Councillor Chris Barlow (Stockton Borough Council) and Councillors Mike Renton and Stephen Harker (Darlington Borough Council).
3. The sub-committee first met to scrutinise the Combined Authority Budget for 2021/22 on 3rd December 2020, after being provided with the draft Budget upon its publication on Friday 27th November.
4. At this meeting the Group Director of Finance and Resources walked the Members through the detail of the Draft Budget and Members asked questions where needed.
5. A second meeting was held on 17th December 2020. Where a presentation was delivered regarding the Covid Economic Recovery Action Plan.

6. Following these meetings, the members of the sub-committee agreed that they were satisfied with the responses given by Officers and felt they had a good understanding of the budget.
7. A report from the sub-committee has subsequently been drafted for presentation at the meeting of the Overview & Scrutiny Committee on 7th January. This meeting will allow the full committee to review the findings of the sub-committee and put forward any final questions they may have.
8. The report in full, including a full list of questions posed by members and officer responses is attached in **Appendix 1**.
9. Sub-committee members were content with the information provided by officers and agreed to note the budget proposals.

FINANCIAL IMPLICATIONS

10. The final published Budget report will be presented to January 2021 Cabinet and will set the budget for the Combined Authority.

LEGAL IMPLICATIONS

11. As a Mayoral Combined Authority, the Tees Valley Combined Authority is legally required to set a budget for the coming financial year and a Medium-Term Financial Plan covering the coming financial year and the three years thereafter. Under its constitution, the Combined Authority is also required to have an Investment Plan.

RISK ASSESSMENT

12. This Budget is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

13. Consultation is being undertaken with the public and key stakeholders in the period November 27th 2020 to December 31st 2020.

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Post Title: Governance & Scrutiny Officer
Telephone: 01642524580
Email Address: Sharon.jones@teesvalley-ca.gov.uk

APPENDIX 1

Tees Valley Combined Authority Overview and Scrutiny Committee: Budget 2021-22

The Finance and Resources Sub-Committee, acting with the authority of the Combined Authority Overview and Scrutiny Committee, are satisfied with the information provided by officers with regards to the proposed Combined Authority Budget for the period 2021-22.

Whilst concluding that this budget be noted members would like to place on record the following observations:

- The sub-committee questioned whether this budget allocates enough resources to Education & Skills and Research & Innovation.
- The sub-committee felt that they have not been given the opportunity to look at TIAL in as much detail as they would have liked to and have therefore not been able to fully scrutinise the budget allocations in this area. Officers advised that the responsibility for TVCA in relation to TIAL is in respect of the allocations within the TVCA Investment Plan and budget. The responsibility of TVCA does not extend to detailed budget review of a separate company.
- The sub-committee would like the Budget to include the detail that the devolution £15m which is used to fund borrowing can be agile and flexible and as a last resort, should it be needed, be used as revenue to fund areas where intervention is required and is not being given from central government.

For transparency purposes, the questions asked of officers relating to the budget are detailed in below.

- 1. Can the Covid Economic Recovery Plan (ERP) be shared with Overview & Scrutiny Committee? It is referred to within the Budget paper and therefore needs to be shared with the committee to allow us to understand the full picture.**

The TVCA Recovery Plan and TVCA Covid Report have been circulated to all Committee Members

- 2. Has the ERP worked through what the costs are likely to look like for the Combined Authority – what do we need to spend in terms of Funding we already have and what additional funding is needed direct from Government?**

The ERP is about ensuring we are targeting the right themes and the right areas to give support to aid recovery. The level of support that is provided locally, from the Investment Plan, and from central Government within each theme area still needs to be determined. At the moment where we are able to move forward, for example within the Culture theme and the implementation of the Culture Taskforce, we have absolutely taken into account Covid information within that sector and used the funding in areas where it will have the most impact. The Business Growth area is another example where we have created the Hub to give businesses a single point of access from where they can receive the relevant support and signposting to meet their needs. To date we have received some central funding from Government, for example, Getting Building Fund, ERDF business support funds, these initiatives are also contained within the plans. Strategically we have maintained allocations at theme level, but the target areas have been reflected by intelligence from the report. A lot of the funding we have received from Government has been within the response phase. We are developing proposals for the recovery phase, given there has been a second wave, which look at the vision for the Tees Valley area and at funding asks. It is a combination of long-term Government asks and short-term responses via local funding and through the investment plan.

- 3. Does the budget need to be altered to cope with Covid. Will we be facing difficult choices around funding and how will we tackle this?**

With regard to costs and capital projects or schemes, all Local authorities and Combined Authorities across the country are keeping a close eye on these to ensure contractual commitments cover those areas. Any cost overruns are managed through funding agreements that we already have in place. The broader point relates to a balance between central government intervention and local funding. It's about determining what, as a Combined Authority, we should be investing locally against nationally what we expect Government to pay for. It is a delicate balancing act. TVCA is here for strategic economic growth and whilst short term funding has clear benefits we also need to keep focus on the Investment Plan. The Combined Authority is trying to put asks in where there is credible evidence that we need support or intervention funding – it really is a blend of interventions that we are using to protect the Investment Plan.

- 4. The budget is really familiar – the headline allocations haven't changed over the last few years. Funding in the Education & skills allocation does not appear to again be sufficient to respond to the needs of the people of the Tees Valley. Are we putting our resources into the right places?**

The reason for the Strategic Plan is that it is adaptable to react to those things that we are not expecting to happen. It's not a negative that the headline allocation hasn't changed, the important part is making sure we understand what will make the most difference post Covid in terms of skills. Chris Beck is working through this currently, taking the SQW report into account also, to determine what is the most effective response. The budget is not rigid, and we can move things within the investment plan as we need to subject to unanimous approval of the Cabinet. If more resource is required in this area then this would be considered at Cabinet and funding directed as deemed necessary.

- 5. Where has the Brownfield housing fund come from and can we have some further details?** The funding is from central government and is for social and private housing across the five Local Authority areas. It is a fund that is available across the country and this is our share of it. Further information regarding the scheme has been circulated to all Committee Members.

- 6. There is an increase of £184.2 million total expenditure – where does that figure come from?** This is from movements between the £1,484.1 million and £1,668.3 million. This includes the negative movements also.

- 7. The Rail Network Investments detailed in paragraphs 19-23 are these all to be delivered during next financial year and from the earmarked £49M?**

Yes – on some projects this will be in the form of development work commencing and for other projects they will be physically starting on site. Middlesbrough station work is due to commence early in 2021. Others the design work will start. This is all within the next financial year.

8. Tees Crossing and Darlington Link Road - do we know when we might be able to talk about funding for DLR as the overlap with TC will be no longer significant?

The 1-year CSR is already allocated so it would likely be when we start looking at the 3-year CSR – which would be 2022. It's about what alternative funding can be accessed pending a longer-term CSR settlement. We will keep lobbying with Government and twin track to an extent with other funding sources where we can do so.

9. What is the total cost of the Tees crossing? How much are we still waiting for and when will we get a decision on the final funding?

£427m is the total cost. We are funding 5% of this, which is required by DfT, which is £21.3m. Cabinet approved a maximum allocation of £24m previously allowing for more detailed costings as the scheme moves through its delivery phases. At the time of meeting £2.2m has been spent on development so far. £1m of this came from DfT so we have spent £1.2m so far. The 5% contribution from TVCA includes the development costs to date. We are expecting a decision on the funding around spring next year. A further update report in respect of the Tees Crossing was taken to Cabinet on 27 November 2020 where Cabinet approved a further £11.5m to fully fund delivery of Portrack Relief Road and provide a fixed local contribution to the Tees Viaduct

10. Will the money for car parking agreed at Cabinet come from the transport budget?

The £10.6m to provide free car parking for 2 years will transfer from the transport allocation into the indigenous growth fund and will be managed through this programme. It is devolution funding that we will be moving across.

11. Will that transfer to Indigenous Growth fund of £10.6m therefore affect the headline budget figures?

Yes it will but at the point the consultation paper was written the transfer had not been agreed. This budget is the draft version for discussion and consultation and will not be locked down until it has been agreed at January Cabinet. We will only ever amend the MTFP post approval decision. Any movements will be documented in the finalised budget in January and there will be an audit trail of all adjustments.

12. There appears to be no amendments to the budget for Teesside Airport. There are significant risks to the airport from Covid. Are we therefore assuming that the budget that was set 3 years ago is robust enough?

The airport has a 10-year business plan with staged milestones to achieve both financially and non-financially each year. The Covid impact is being continually assessed across all airport and airline industries. Yes, there is a risk due to Covid and we have asked the question as to whether, over the 10-year period, they are going to stay within allocation and the answer given is yes. The information we have currently is that the airport will stay within the budget provided over the lifetime of the plan.

13. Lots of projects are European funded. Are we right that the question of how this will be replaced remains?

Yes, there are questions around what funding we will have and what we then prioritise if the funding is different to what we expect it to be.

14. Where is the £14m in 21/22 for southside development at the airport coming from?

That is through a commercial loan from TVCA to TIA direct approved by Cabinet on 20th December 2019. Repayment of this is linked to returns so it will be paid once the development is operational. The investment is necessary to make the business park work as a business park, so for access roads etc, this is regardless of who might come and reside there.

15. Will Combined Authority pay be frozen in line with the Public Sector pay freeze announced by Government?

The Combined Authority Follow Government pay terms so yes if this is implemented then we will follow that the same as each Local Authority will do and there will be a saving on the core cost budget which we would normally allow for wage inflation. A wage increase has been budgeted at 2% which is approximately £87,000 so the budget would decrease by that amount. This would be a cash saving

and we will need to look at this and take a view on it and then be clear on what we are deploying it for. There are approximately 8 staff members within the Combined Authority who fall under the £25k cap and would be eligible for an increase.

16. Are we expecting a decrease in income with regard to Enterprise Zones?

We are in a better position than a lot of other areas for EZ as we have a lot of large companies rather than smaller ones. We have only accounted for those businesses paying currently or where construction has finished or is finishing now and will therefore be paying in future. It is linked to occupancy on site.

17. How long do the PWLB fix interest rates for?

It can be dependent on reports they have received but they are not keen to destabilise too much for Local Authorities. They wouldn't change them annually or even biannually. Rates are different dependent on the term of borrowing. The loan rates remain very competitive. The recent PWLB consultation exercise with public sector bodies has led to proposals for tightening what you can borrow for.

18. Are we using all our reserves in this period?

Yes. Reserves are made up of funding received in advance and not yet utilised. We have a small general reserve, around £1m. All Combined Authorities do this as good practice. It is different to Local Authority reserves which are considerably higher against a smaller budget, but this is linked to risk.

Questions and Answers**1. The Economic Recovery Plan has now been shared but this refers to parts 2&3. Are these available and if so, can we have sight of them?**

The plan has been in development since May. Following wave 1 of Covid parts 2&3 were updated to a point but then wave 2 arrived and we needed to take stock and make sure everything we needed to know was captured. This is still being worked through and parts 2&3 need to go to Cabinet before they can be circulated more widely, including to O&S Committee.

2. If Cabinet haven't been informed of the full Covid response then can we be assured that the headline amounts are still correct and resources are being directed to the right areas?

The headline amounts are in the budget but that doesn't mean that we can't put proposals forward for re-directing resources if this is necessary. As soon as parts 2&3 are presented then we can reassess the need and redirect funding where applicable and subject to unanimous approval by Cabinet. We will continue to work with the facts and information brought forward and if amendments are needed we will take these proposals forward to Cabinet for agreement. There are interesting challenges ahead with budget setting due to the fallout of Covid. This is why we have a flexible and agile budget so we can quickly react and provide support where most needed.

3. What is the plan for the development of the railway station at Teesside Airport?

The initial investment is to upgrade the station. It's not cost effective to move the station closer to the airport terminal so we will focus on a solution to redevelop the station and have means of transporting passengers quickly and easily to the terminal. The development of the terminal is ongoing and is needed to accommodate the increase in passengers associated with route development and securing a low-cost carrier, but we need the infrastructure and connectivity to be there also. The Transport Plan is looking at Rail network across the Tees Valley as a whole and this station development is part of this.

4. Have there been any particular problems exposed due to only having a 1-year CSR settlement rather than 3 year this time?

Certainty is obviously more helpful over the medium term for planning ahead. However, we will focus on what we expect to do in the near term. We will still look at what we need for the 10-year investment plan also, but it just means we don't have finalised locked down Government allocation for grants. We are confident we will get the next 5-year devolution funding following a positive independent review piece of work by the Governments advisers SQW. A copy of this paper was presented to Cabinet in November 2020. We had hoped to see another medium term set of allocations. We are still progressing, still planning and enabling, it's just not as helpful in allowing us to commit to things sooner rather than later.

5. Is there a particular issue around UKSPF given this is now a bidding process rather than an allocation?

It is being done as a pilot initially for this one year. Business and Skills Director Chris Beck clarified that the allocations from the pilot are in addition to what we currently receive for European funds as European funding does not expire until 2023. Ideally, we would want to see a 3-4-year allocation to give us stability but it's not working in this way currently due to the impact of Covid. We can offer reassurance that we are doing as much analysis as we can to look at what we received previously and what we need in future but as of yet we don't know the allocation.

6. Do we know what projects or activities are not being funded that we now have to bid for?

The Shared Prosperity fund starts next year but the European funding doesn't stop until March 2023. It is therefore not replacing any European projects until March 2023. We are still working through what we are bidding for. Some will be for replacing current activities whilst some funding will be directed towards new activity. The larger European money, for example in skills and business support such as Business Compass only started in July this year and runs until 2023. We won't be expecting to bid until this time next year for an extension to these projects.

7. Does this mean that our response to Covid can't be as complete as we would like it to be because we aren't clear about our funding going forward?

In the short term the answer is no as there is the overlap of funding. In the Medium Term to Longer Term we need more certainty on funding for some initiatives. For the immediate period and up to 2023 funding is in place and we will use the information we have to target the right areas with this funding. We are being very fleet of foot in accessing support funding and getting this out to businesses and people. There is flexibility within the programmes to meet Covid requirements, subject to European funding rules, and we have optimised funding based on these rules. The short-term business support sits within the LA's. We work closely with these colleagues to maximise what we do through joint working.

8. What does the 1-year settlement mean with regard to certainty of projects?

European funding received is already against projects so those are not exposed as we have already committed to the level of funding we have. Continuity beyond this is the issue. We will need to make a decision closer to 2023, and once we know if funding is coming in, whether we continue with specific projects or reprioritise for better value for money. There are also exit costs to bear in mind if projects don't continue. We have certainty in a lot of the skills and business programmes but what is changing now is that there is lots of short-term funding coming into the Authority for different types of support for businesses due to Covid. We are managing tactically the flow of money and things are stable. We are not that far off the normal cycle.

9. Beyond European funding what proportion of the budget is left uncertain?

Our investment plan is over the 10-year period. As well as investment grants, devolution funding also comes in and that helps finance any form of borrowing for the Investment plan. It gives stability to the investment plan and allows us to borrow against this. Each area is reliant on grants from Government, but it depends on their proportion of Government grants being brought in at any given time. We tend to use European funds for very specific projects and in other areas leverage borrowing, more so for infrastructure items. It's important to link in to the overall £1.6billion of funding. We are not complacent with this and are constantly looking at what we depend on from European funding.

10. Is it correct that in the table shown (Paragraph 11) there is a mix of certainty and uncertainty and also an assumption that things will continue?

If you look at the AEB line as an example, this is only allocated every year and by academic year. To look at it one way none of that line is secured but then to not give the money would need to go through a number of procedures. It is classed as unsecured, but we would never commit to spending it until it was secured. We don't put the breakdown of elements in the table as this is subject to various bidding and negotiation processes with central Government. European money included in the table is only based on actuals that we have secured. The reality is we will get some Government funding in the future, but the issue is sufficiency, what we need to use for recovery plans etc.

11. Is everything in the column for 2021/22 - £346m all secured?

Yes, that's all secured funding

12. The devolution £15m is used to fund borrowing. If we were to lose significant amounts of Government grants then what element of the £15m is left to invest in revenue spend or is it all allocated to borrowing?

It is not committed, there is a headroom amount. Beyond the investment plan 10-year period there is £85m that will be available.

13. Does that mean then that there is no headroom until 10 years' time, not even for an emergency response?

We haven't committed to borrowing yet. There would be no headroom if we were to leverage the money and incur borrowing within this Investment Plan period but if there is an issue and a need to be agile and flexible then we can be as we haven't committed the expenditure and consequential borrowing yet. When it comes to decision making about the Investment plan there is still flexibility in that 10-year period as to what we fund and pay for. If we want to change things and the mix of revenue and capital then we can but the consequence of that is we can't leverage as much borrowing.

14. Have the Sector action plans been reviewed and updated to account for changes post Covid and indeed are the priority sectors still the same or do they need to change?

Pre Covid we were working hard to get the Local Industrial Strategy over the line. This work reaffirmed what was in the original SEP. We will need to refresh this now. All the work from Vivid came with one

big caveat, which was “subject to no second wave”. The time to therefore do the refresh work will be once we are out of Covid, so we have clear visibility of which sectors will need help. We will also be able to see how sectors have bounced back and where there is scarring, and how we can then intervene. Where there are Industrial Strategies, such as clean growth as an example, we won’t change those as they are areas we need to develop. In areas of development we are actively applying for funding. Clean energy, offshore wind, Freeport etc. We need to continue with these as they will be good for the economy and we therefore wouldn’t want to deprioritise them. Others we may need to look at post Covid and make some strategic decisions. The LIS focus remains on green, clean growth, bio manufacturing, digital & financial services etc. We have a lot of strategy work aligned to these areas as that’s where we get a lot of support.

15. The Freeport is likely to attract investment to the area. Has the revenue implication of a Freeport been factored into this budget or is it too early to tell?

The Bid is open and the deadline for bidding calls is 4th Feb. We are currently working on our bid for this. The Business rates will actually be paid for by Government in full. This will be paid by Government direct to the Local Authority. So, for example, if a business goes onto Wilton then the business rates will go to RCBC .

REPORT TO THE OVERVIEW & SCRUTINY COMMITTEE

7th JANUARY 2021

REPORT OF GROUP CHIEF EXECUTIVE

DELEGATED DECISIONS NOVEMBER- DECEMBER 2020

SUMMARY

The table below shows the Delegated Decisions signed off by the Combined Authority between November 2020 and December 2020

RECOMMENDATIONS

It is recommended that the Combined Authority Overview & Scrutiny Committee note the table below.

DETAIL

1. The table below shows the Delegated Decisions signed off by the Combined Authority between November 2020 – December 2020.

Title	Amount	Date signed	Key Decision
<p>ISQ Phase 2 - The Northern Film Studios and The Scott Building</p> <p>This is the second phase of the Innovation and Skills Quarter (ISQ2) in the Church Street conservation area of Hartlepool. As part of the wider ISQ regeneration programme of capital works, this involves the continued development of the area into an attractive, vibrant and cultural hub that will support the expansion of creative businesses within the community. The second phase of the ISQ involves:</p> <ul style="list-style-type: none"> • The conversion of the former Edgar Phillips public works depot to create an innovative design-led teaching and set/stage production space, renamed "The Scott Building"; • The conversion of the former HBC transport depot on Lynn Street to create "The Northern Studios", the only dedicated film and television studio and production base in the North East region, with associated infrastructure, high value equipment and emerging technologies; and • Re-development of the Grade II listed former public house/hotel (the Shades building) to provide commercial business premises which will operate as a visitor attraction, alongside providing opportunities for training and work experience. 	£3,533,666	25/11/2020	No

Title	Amount	Date signed	Key Decision
<p>An EOI was submitted in May 2017 and was assessed resulting in a loan of £505k to HBC being approved in October 2017 through delegated decision DF08-2017. This was from the development fund which was available at this time. A further £300k was approved in December 2017 through delegated decision CF04-2017 for HBC to acquire the Shades building. Therefore, £805k was committed through these delegated decisions and development work continued. Within the Tees Valley Investment Plan 2019-2029, signed off at the 24 January 2019 Cabinet meeting, a further £3.695m was allocated to deliver the final project. Along with the delegated decisions this provided a total budget of £4.5m from the Investment Plan.</p> <p>A full business case was submitted by HBC in February 2019 with the TVCA appraisal concluded in May 2019 with a number of conditions applied. Delegated decision CF11-2019 signed off the business case and committed £740,120 of the £4.5m allocation to deliver the Shades refurbishment project subject to a number of conditions. These conditions are still outstanding due to delays in securing match funding and a funding agreement was not concluded.</p> <p>For the Northern Studios and The Scott Building a period of project development was undertaken with HBC and The Northern School of Art to work through the conditions from the appraisal, mainly around the designs, costs and contractual arrangements. This delegated decision approves the business case (plus the additional evidence provided to meet all necessary conditions) and formally commits the remaining grant of £3,759,880 for The Northern Film Studios and The Scott Building on the site of the NSoA</p>			
<p>Middlesbrough Station – Work Package 1</p> <p>An Outline Business Case (OBC) has been developed for Middlesbrough Station, the preferred option comprises a package of improvements that will seek to address capacity issues, provide an enhanced rail gateway that can accommodate future demands for passenger and freight rail services and contribute towards the wider economic regeneration of Middlesbrough, It includes the following components:</p> <ul style="list-style-type: none"> • Work Package 1 - An extension to the existing Platform 2 to cater for intercity rail services; • Work Package 2 - Improvements to the station undercroft that provide new local regeneration opportunities; • Work Package 3 - A new Platform 3 to accommodate the planned increase in passenger rail services in the coming years; • Work Package 4 - Enhancements to the internal station facilities to improve the passenger experience; and 	£4,820,000	03/12/2020	No

Title	Amount	Date signed	Key Decision
<ul style="list-style-type: none"> Work Package 5 - Public realm improvements in the vicinity of the station to enhance its role as a gateway to the town and the Middlehaven Enterprise Zone. <p>The Tees Valley Combined Authority plan to release its agreed £22.5 million contribution in stages to advance the delivery of elements of the scheme. A full business case (FBC) for Work Package 1 (WP1) of the Middlesbrough Station scheme has now come forward seeking to draw down £4.82 million of the £22.5 million allocation.</p> <p>WP1 of the Middlesbrough Station project will form the first stage of works at Middlesbrough Station, this is reflective of the fact that the extension to Platform 2 which WP1 will deliver, needs to be completed in 2021 to allow new intercity services to start as soon as possible. An appraisal was undertaken on the FBC with the recommendation that WP1 is supported.</p>			

- All key decisions are sent to the Overview & Scrutiny Committee within 2 days of being made. All other delegated decisions are provided for information at their next scheduled meeting.

FINANCIAL IMPLICATIONS

- There are no direct financial implications arising from this report. The report derives from the Constitution and Assurance Framework for the Combined Authority, which have embedded within them the statutory financial regulations.

LEGAL IMPLICATIONS

- The Report derives from the Constitution and the Assurance Framework for the Combined Authority which sets out the appropriate statutory framework and is legally binding.

RISK ASSESSMENT

- The report is categorised as low risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

- Not Applicable

EQUALITY & DIVERSITY

- Not Applicable

LOCAL ENTERPRISE PARTNERSHIP

- Not Applicable

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Tees Valley Combined Authority Overview & Scrutiny Proposed Work Programme 2020/2021

Standing Items

Minutes from the Previous Meeting
Chief Executive Update
Delegated Decisions
Forward Plan
Date and Venue of the Next Meeting

Overview & Scrutiny Committee		
Date	Venue	Item / Responsible Officer
7 th January 2021 at 10.30am	TBC	Finance & Resources Sub Committee Budget Consultation Report Teesside International Airport Update & Business Plan Gateway Review
20 th May 2021 - TBC	TBC	Overview & Scrutiny Committee Annual Report

Finance & Resources Sub-Committee		
Date	Venue	Item / Responsible Officer
3 rd December 2020	TBC	Draft Budget 1 st Consultation meeting
17 th December 2020	TBC	Draft Budget 2 nd Consultation meeting (if required)

Proposed Items to be scheduled

- Combined Authority Budget – Quarterly updates
- Portfolio Lead updates

- Updates from Finance and Resources Sub Committee (where applicable)

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AGENDA ITEM 9**REPORT TO THE TEES VALLEY
OVERVIEW & SCRUTINY COMMITTEE**

7th JANUARY 2021

REPORT OF THE GROUP CHIEF EXECUTIVE**TEESSIDE INTERNATIONAL AIRPORT – BUSINESS PLAN UPDATE 2021-2029****SUMMARY**

On 24 January 2019 Cabinet approved investment proposals for Teesside International Airport (TIA). The investment proposals included the acquisition of the airport and funding to deliver the airport turnaround plan. The previous business plan and annual budget was agreed by Cabinet at its meeting on 25th October 2019. Cabinet approved the updated TIA Business Plan 2021-2029 at its meeting on 27th November 2020. An executive summary of the business plan is set out at **Appendix 1**.

BACKGROUND

1. TIA is 89% owned by Goosepool Limited and 11% by local authorities (the five Tees Valley authorities and Durham County Council).
2. A key priority in the period after the acquisition of the airport was to agree a business plan and annual budget. The previous business plan and annual budget, which was in line with the business case agreed by Cabinet in January 2019, was agreed by Cabinet at its meeting on 25th October 2019 and was therefore due to be updated.

DETAIL

3. The Business Plan Update 2021-2029 is set out at (Confidential) **Appendix 2** to this report.
4. The Business Plan Update 2021-2029 was approved by the TIA Board on 26th November 2020. Cabinet approved the updated TIA Business Plan at its meeting on 27th November 2020. The business plan will be refreshed annually and will be submitted to Cabinet for approval.
5. The Business Plan Update at Appendix 2 contains some information that is not publicly available and is commercially sensitive.

FINANCIAL IMPLICATIONS

6. The Report at Appendix 2 sets out updated the Business Plan for TIA for the period 2021-2029. The updated Business Plan does not require the Combined Authority to increase its previously approved funding allocation to the airport.

LEGAL IMPLICATIONS

7. There are no legal implications arising from this report.

RISK ASSESSMENT

8. The key short- and medium-term risk to the delivery of the TIA Business Plan is the uncertainty surrounding the ongoing Covid 19 pandemic and its effect on the aviation industry generally and the airport. The airport senior management team will continue to monitor and manage this risk and develop strategies for the growth and development of the airport. Regular updates will be provided to the Goosepool Limited and TIA Boards.

EQUALITY & DIVERSITY

9. There are no equality and diversity impacts arising from this report.

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BUSINESS PLAN UPDATE 2021 – 2029

EXECUTIVE SUMMARY

CONTEXT

BACKGROUND

In March 2019, Tees Valley Combined Authority (TVCA) acquired the majority shareholding in Teesside International Airport (TIA), which had been on the brink of closure. The acquisition was identified as critical to Tees Valley in securing the future of the airport as an essential component of the region's underpinning economic infrastructure.

The TVCA decision to acquire the airport was supported by a full 'green book appraisal' entitled 'Full Business Case: Securing the Future of Our Airport'. The business case set out a comprehensive strategic, economic, commercial, financial, and management case for the purchase.

In addition, the decision was supported by a detailed ten-year 'Durham Tees Valley Airport Business Plan' prepared by aviation specialists ICF. Importantly, the business plan set out the growth and associated financial plans for the airport to become financially independent and self-sustainable.

Progress to date

Since acquiring TIA, TVCA has driven significant developments at the airport on route and commercial development, terminal improvements, business engagement and marketing and communications.

One of the first projects undertaken was the rebrand of the airport to its first, most well-known and enduring name of Teesside International Airport. This full redevelopment of the airport's identity has supported the airport's commercial marketability with a strong but familiar brand that is instantly recognisable, locally popular and more widely known across the UK than its previous title.

In January 2020, 12 months after it was agreed that TIA would be brought back into public control, direct flights to London were established for the first time in 11 years. Working with Eastern Airways, London was one destination in a package of routes including a revised Aberdeen schedule, new flights to Belfast City, Cardiff, Dublin, Southampton and seasonal Isle of Man service. This commercial relationship developed to include a year-round Cornwall Airport Newquay connection and, in August 2020, the reintroduction of flights to London Heathrow, the UK's biggest airport, after more than a decade. A summer service to Alicante was also agreed ahead of the outbreak of coronavirus.

A new five-year deal was struck with the airport's long-standing partner KLM Royal Dutch Airlines, to continue its service to Amsterdam Schiphol. The connection to the hub, which serves more than 100 destinations across the globe, saw its highest passenger numbers in 14 years in September 2019.

Other routes secured or expanded include the return of TUI, the UK's biggest holiday company, offering flights to Majorca in summer 2022, nine years after its last departure from the airport. JetsGo Holidays is flying to Majorca in summer 2021 and, after a successful year in 2019, Balkan Holidays will offer an expanded summer season to Bourgas, Bulgaria in 2021. In November 2020, Loganair joined the airport, with flights to Aberdeen, Belfast City, Dublin, Cornwall Airport Newquay from early 2021, increasing competition on these routes. It is also flying to Jersey from summer 2021.

Terminal developments to enhance the customer experience include a significant redevelopment of the security area, with state-of-the-art body and baggage scanners. This means passengers do not need to remove electronic items and liquids out of bags, which will make the security process smoother and quicker than ever. It also aligns TIA's processes with connecting hub airports including Heathrow and Schiphol, removing the requirement for onward passengers to go through their security.

This is alongside the Arrivals Hall renovation with new walls, signage, flooring and paint, to make the airport more welcoming to passengers as their first impression of the area, and easier to navigate.

Existing businesses located on site at the airport have been secured for the next five years, while new companies have been welcomed. Cobham Aviation Services, which operates and maintains a fleet of specially modified Dassault Falcon 20 aircraft (and whose presence at the airport had been at risk) has announced a new long-term deal with the Ministry of Defence, keeping them stationed at TIA for the foreseeable future. It has also led to a 25% increase in local jobs over the past 18 months which include many key skilled positions, as the base has secured new long-term contracts and made significant investment in infrastructure and technology.

An extensive renovation of Hangar 1, including electrical upgrades, roof repairs and other essential maintenance, prompted Willis Asset Management Limited to choose TIA as its location for a European aircraft maintenance base. After considering locations across the continent, the global aviation company chose to lease Hangar 1 and Hangar 1A for its operations. It will house aircraft and parts at the hangars while carrying out maintenance, storage and disassembly on aircraft. Phase 1 of the development could see the creation of approximately 20 highly skilled engineering and management roles, with further opportunity for expansion in Phase 2.

Work has now begun on the infrastructure to support the airport's Southside development. The £200million major logistics, manufacturing and commercial business park will cover 34million sq ft across 270 acres of the land at the airport's southside. Once complete, it has the potential to create 4,400 jobs, delivering extra revenue of up to £3million per year over 10 years, to reinvest in the airport.

To amplify the message of TIA, a series of successful engagement events with travel agents, local stakeholders, businesses and Government departments were held, promoting the advantages of using the hub as it expands its domestic and international links. Marketing agreements have been reached with partner airports and businesses to promote TIA's growing schedule and turnaround plan.

Local businesses have been engaged to provide their services for IT, security, waste management and professional financial support, ensuring, where possible, any money spent stays in the area and benefits the Tees Valley. TIA continues to champion and support local causes, including football sponsorships, annual Lourdes pilgrimages and has signed up for the Hidden Disabilities Sunflower Scheme to help support those passengers whose disability may not be immediately obvious.

COVID-19

During the first four months of the pandemic, UK airports lost just under £2billion, the equivalent of over £15 million each day. They are collectively projected to lose at least £4billion by the end of 2020. The implementation of the 14-day quarantine period for international arrivals in early summer, and the unpredictable nature of countries being taken on and off the travel corridor list, has meant that consumers have had extremely low confidence in booking international trips. Domestic travel was also significantly affected and, during the four months after lockdown, passenger numbers fell by up to 99% nationally, with the aviation sector completely losing its most profitable period of the year.

In relation to TIA, the decision was taken to close the terminal building to passengers and non-essential staff from 24th March 2020, following strengthened Government advice on avoiding all non-essential travel to slow the spread of coronavirus. Both KLM & Eastern Airways suspended all their scheduled services, and the airport senior management team took the decision to close the Jet Centre during this period (with a caveat to assist if any medical flights were required to operate).

A long-term, strategic decision was made to not close the airport completely, to ensure the continued support of key businesses, their operation in the short-term and to protect them from further disruption

due to the pandemic. While remaining closed to passengers, the airport did remain operational throughout for Cobham Aviation, who are contracted to carry out MOD defence training for national security; IAS medical, who support the NHS in carrying medical transplant teams along with repatriation of the seriously ill; and the Local Airspace Radar Service (LARS), which allows aircraft to pass through TIA's airspace. The safety of our staff was paramount when making the decision to remain operational, and robust control measures were put in place to ensure this.

The airport took advantage of the Government furlough scheme, with a number of staff furloughed where necessary. The Tees Valley Mayor made a commitment to protect the jobs and well-being of all staff at the airport, and as a result there have been no job losses. The airport has continued to pay those staff on furlough the extra 20% on top of the scheme's 80%, so staff receive 100% wages.

TIA began a phased reopening of the airport to passengers on 22nd June 2020, introducing enhanced safety and security measures, with all airport staff undergoing training. TIA also added hand sanitiser stations in all areas, implemented social distancing controls and the requirement to wear face masks, supplemented by the "six steps to staying safe" messaging. A new mobile phone-based food ordering system is now live at the departures café to make socially-distanced food and drink ordering possible.

ACTUAL PERFORMANCE TO DATE

The 2019/20 results show that aeronautical revenue and passenger numbers exceeded the targets for the year as per the original Business Plan. This was largely driven by the launch of the domestic flights program with Eastern Airways in January 2020. Prior to the cessation of these commercial flights at the end of March due to COVID-19, passenger numbers were highly encouraging and were exceeding expectations at such an early stage of the development of the routes. Passenger numbers on the KLM flights were also performing extremely strongly prior to the lockdown period.

As a major scheme supported by the Tees Valley Combined Authority Investment Fund, TIA has been subject to an independent enhanced evaluation by economics consultancy firm SQW to feed into Government's five-year Gateway Review of TVCA. It noted the "encouraging progress" being made at the airport in terms of route development and the positive steps to begin infrastructure works on the Southside development.

The 2019/20 actual net loss of £2.6m (subject to audit completion) is exactly in-line with the target as per the original Business Plan. TIA has taken steps to mitigate the effects of the pandemic on performance during this challenging period. Some of these key measures are as follows:

- Continuation of the non-commercial flights, including Cobham, IAS Medical, and LARS;
- Securing new tenants at the airport site, including Willis Asset Management;
- Careful reworking of domestic flight schedules to maximise passenger numbers and revenues;
- Re-negotiation of domestic carrier contract to minimise on-going costs;
- Utilisation of the Government's furlough scheme; and
- Reduction in contracted costs in-line with the reduced flight schedules, e.g. security, handling.

Given the current uncertainty due to the pandemic, it is difficult to assess with accuracy what outturn for 2021 will be but these steps will assist in minimising the impact as much as possible.

FORECAST PERFORMANCE FROM 2021/22 ONWARDS

The financial plan remains to achieve growth in revenues to £16.8 million by March 2025. Increased revenues are derived from both aeronautical and non-aeronautical income streams.

Due to the current uncertainty across the aviation industry worldwide, although the pandemic has inevitably resulted in additional short-term cash requirements in 2020/21 compared to the original Business Plan, based on the assumption that overall passenger numbers return to pre COVID-19 levels during 2021/22, it is not anticipated that additional funding will be required to support the airport's return to self-sustainability. Specific causes for optimism include the following:

- KLM signing a new 5-year deal with TIA in June 2020;
- Advanced on-going negotiations with a Low Cost Carrier;
- Contract signed in November 2020 with a second domestic airline, Loganair, to commence services in 2021;
- Seasonal routes secured or expanded with JetsGo, TUI and Balkan Holidays; and
- Cobham Aviation Services signing a new 5-year deal with TIA in September 2020.
- Increased property revenues through attracting new tenants

It should also be noted that the Business Plan update does not incorporate any future revenue streams from the Southside Business Park development, which is strongly expected to deliver significant and reliable levels of support for TIA.