

Cabinet

Tuesday, 5 February 2019 at 2.00 pm

Meeting to be held: Mansion House, Fernwood Road, Newcastle upon Tyne, NE2 1TJ

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SUPPLEMENTAL AGENDA

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4. Investment Fund Update	1 - 8

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Subject: NTCA Investment Fund Update
Report of: Interim Director of Inclusive Economy

Report Summary

To provide Cabinet Members with an update on the progress of projects that were agreed at the Cabinet meeting on the 8th of November 2019 and to summarise other activity underway which is progressing the objectives set out in the NTCA Vision and Devolution Deal – prior to the Mayoral elections in May 2019.

Recommendations

Cabinet are recommended to:

- (i) Approve the proposal to create an Inward Investment Grant Fund with an initial budget of £1m per annum;
- (ii) Delegate approval of the detailed criteria and full business case required for the implementation of the Inward Investment Grant Fund to the Acting Head of Paid Service in consultation with the Interim Mayor and the Chief Finance Officer;
- (iii) Approve the high-level criteria set out in 1.2 for the Business Case Development Fund;
- (iv) Approve the proposal to consider supporting bids that make progress through the Future High Street Fund bidding process;
- (v) Approve the proposed commissions outlined in 1.4.

1. Background information

The North of Tyne Devolution Deal includes an Investment Fund allocation of £20m per annum for a period of 30 years with an agreement that the resource is used to drive economic growth. The Deal also includes a set of impact measures that will be used to measure the success of the Combined Authority's investment decisions. These include: creating new jobs, generating economic growth as measured by Gross Value Added (GVA) and leveraging additional private sector investment into the area.

At the Cabinet meeting of 8th November members set out their Vision for the future of the North of Tyne area and outlined number of early interventions to be developed prior to the Mayoral election in May 2019. This paper gives an update on these projects and other activities underway to progress the objectives set out in the NTCA Vision and Devolution Deal.

1.1 Progress to Date

Champions of Enterprise

Cabinet are asked to formally approve an Inward Investment Grant Fund, with an initial budget of £1m per annum. This fund has been designed to support foreign or UK owned businesses making a first investment in the region. It will fill a gap left by the withdrawal of past grant sources and enable the NTCA area to compete with other investment locations in the UK and Europe who are already offering grant assistance to inward investors. It is proposed that any awards will be discretionary, with criteria for the fund including evidence that the project:

- represents value for money;
- fits with the NTCA Vision;
- will lead to the creation of additional jobs;
- would not otherwise occur in the NTCA area;
- would not displace existing business activity in the NTCA area.

All specific awards will also be subject to funding being available and be subject to Cabinet approval.

In addition, it is proposed that grant recipients would be encouraged to contribute to the Combined Authority's aim of moving towards an inclusive economy.

A **Rural Business Growth Investment Fund** has been developed as part of the response to the Devolution Deal commitment to increase growth and productivity in rural communities. The intervention will support economic growth by providing:

- A business advice and support service that will enable businesses to identify opportunities for growth and develop growth plans;
- Capital grant funding to support investment in business growth plans.

A full business case has been submitted by Northumberland County Council (NCC) to the NTCA Investment Fund for the business advice and support service element of the proposal and the outcome of the appraisal process will be considered by Cabinet at its meeting in March. NCC have also submitted a bid for ERDF resources to fund the capital grant element of the intervention.

Leaders of Tomorrow

A commissioning call is being developed with the aim of inviting bids to deliver school-based interventions that will inspire more young people to pursue STEM subjects and get involved in the development of coding skills.

The draft call is due to be considered by Cabinet at its March meeting, with delivery scheduled to start in the 2019 / 20 academic year.

Hotbed of Talent

With support from the European Social Fund, the NTCA is seeking to implement a project that will support social housing tenants to find sustainable employment. The project can proceed without financial input from the Combined Authority and is scheduled to start in March.

Work is also being undertaken on developing a 'Returnships' project that will support people who are returning to the labour market following a period of caring for children or other family members. An update will be provided to the March Cabinet with a proposal for funding to be submitted in the Summer.

Pride of Place

In December, the Government announced a Future High Streets fund with the aim of supporting projects that renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability. Applications for a maximum contribution of £25m are invited from local authorities that can demonstrate that the areas for which funds are sought are facing significant challenges.

Guidance for the fund sets out an expectation that applicants will have engaged with several stakeholders including Mayoral Combined Authorities and that projects will be co-funded by public and private sector additions. Northumberland, North Tyneside and Newcastle local authorities are each planning to bid for resources from the new fund.

In view of the role specified for the MCA it is proposed that the NTCA Cabinet has sight of the proposed High Street Fund applications in March and, at a future Cabinet meeting considers using Investment Fund resources to:

- support the development of full and final business case applications to the fund if required;
- provide a proportion of any match funding that may be required to progress projects that are awarded Future High Streets funding and which are consistent with the NTCA's agreed objectives.

The deadline for applications to Government is the 22nd of March 2019 with the possibility of the first awards being made at the end of 2019.

Housing & Land Board. The North of Tyne Combined Authority's Housing & Land Board has now met twice. Papers discussed by this advisory Board included updates on the North of Tyne Authorities bids to the National Housing Infrastructure Fund. By working with the private sector and co-operating on our bids the three constituent councils have been very successful in allocations from the HIF fund. Four schemes have been allocated investment for 'Marginal' funding – Newcastle Outer West, Newcastle Helix, Newcastle Ouseburn Mouth and North Tyneside's Killingworth Moor Scheme – if all these applications are successful it will lever around £25 million additional investment into the area and assist the delivery of around 6,600 homes. In addition, North Tyneside's Murton Gap Scheme has been allocated for forward funding according to the criteria set out by Homes England. And if successful this will unlock a further 3000 homes.

In addition, to the above we are also working with Design Council, Home Group, Engie, Legal and General, Northumbria University, the National Innovation Centre for Ageing and other partners on a housing and ageing workshop to investigate how design processes can be used to ensure homes and places are designed for multi-generational communities.

1.2 Business Case Development Funding

At its November meeting Cabinet agreed in principle that a proportion of the Investment Fund resource should be used to create a Business Case Development Fund (BCDF) to support the development of Full Business Cases that are sufficiently well developed to support project delivery and external funding applications. It is proposed that a proportion of this funding is also made available to support the development of large-scale, complex and strategic projects to Outline Business Case stage.

It is proposed that for a project to qualify for a full business case development funding, applicants would need to demonstrate fit with the following high-level criteria:

- Projects for which funding is sought will contribute to the NTCA vision and the output measures set out in the Devolution Deal;
- Match funding of circa 30% of total cost of the work is available from a source other than NTCA.
- No other relevant source of funding is applicable.

An application process setting out these and other, more detailed, criteria has been developed and used to consider several initial applications that were reported to Cabinet in November. Applications currently being developed for Cabinet consideration include:

- The development of the Local Full Fibre bid for funding from the DCMS.
- An assessment of the economic growth potential associated with the Northumberland, North Tyneside, Newcastle Line.
- A feasibility study relating to the development of a community-based resource that will support business growth, employment and cultural development activity in Byker.
- The development of a business case for the Energy Central Training Centre in Blyth;
- Plans for the redevelopment of North Shields Town Centre and Fish Quay.

Others may be commissioned in the future.

1.3 Brexit

The NTCA is operating in extremely dynamic conditions with the outcome of the Brexit negotiations contributing significantly to an increasing complex operating environment. Regular meetings are occurring between representatives of the NTCA, NELEP, other public bodies, business representative organisations, businesses, colleges, universities and trade unions. In addition, meetings with the Ports and Airport are taking place, all with the purpose of ensuring that the region remains open to business, even in the event of 'no deal'. But, given the heightened uncertainty, it is considered timely to increase the level of engagement between NTCA and the business community and plans are being put in place to establish regular meetings with key business stakeholders and business representative organisations.

As the situation is rapidly changing it is proposed a Brexit update will be given at the 5th February meeting.

1.4 Next Steps

It is also proposed that the CA commissions a series of work to provide the evidence necessary to inform planned future activity and investment.

Proposed commissions include:

- Work with key stakeholders to identify investments associated with the Industrial Strategy's Grand Challenges;
- Map the existing business support provision with the aim of informing the design of future interventions that add value;
- Review inward investment activities in the NoT area including the role played by DiT;
- Review the destination marketing activities and tourism development plans in the NoT area.

2. Key Risks

- 2.1 Risks associated with applications for funding through the NTCA Investment Fund will be considered as part of the application appraisal / assessment process. Where possible, risks identified as a result of the appraisal process will be mitigated by the actions of applicants. In addition, the NTCA will mitigate the risks associated with funding awards by inserting appropriate conditions in the funding agreements fixed with funding recipients.

3. Financial and Other Resources Implications

- 3.1 The report refers to activity / developments that are likely to result in applications for funding from the NTCA's Investment Fund. Subsequent approvals would result in the commitment of resources from the NTCA's budget. Sufficient funds are available to cover the estimated cost of the proposed expenditure.

4. Legal Implications

- 4.1 Applications for funding may have State Aid considerations. These will be identified and considered during the assessment and appraisal process.
- 4.2 The approval of funding awards will require the NTCA to enter into legal agreements with funding recipients. These will be based on standard funding agreement formats with the addition of any requirements that are specific to a funding award.

5. Consultation/Engagement

- 5.1 The proposals in the report are consistent with the objective and outline commitments set out in the NTCA's Vision, a document that was developed following engagement with key stakeholders in the North of Tyne area. The

individual proposals have also been developed following detailed engagement with parties involved in delivery and those who may be in receipt of the services being developed. Further consultation and engagement will be carried out as the proposals move towards the delivery stage.

6. Appendices

6.1 There are no appendices to the report.

7. Background Papers

7.1 A copy of NTCA's Vision can be found at [NTCA Vision](#).

A copy of the guidance that has been issued for the Future High Streets Fund can be found at <https://www.gov.uk/government/publications/future-high-streets-fund>

8. Contact Officer details

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