

## **Cabinet**

Wednesday, 22 September 2021 at 2.00 pm

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# **SUPPLEMENTAL AGENDA**

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|   | <b>Page No</b> |
|---|----------------|
| 10. <b>Investment Fund Update and Funding Approvals</b> | <b>1 - 10</b>  |

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**Subject:** Investment Fund Update  
**Report of:** Chief Economist  
**Portfolio:** Economic Growth

### Report Summary

The purpose of this report is to update Cabinet on progress with the North of Tyne Investment Fund, including projects to create jobs and support the economic recovery from COVID-19, alongside programmes to strengthen educational outcomes and help address child poverty:

- **£1,250,000** of investment into infrastructure improvements at Blyth Harbour – unlocking jobs in offshore wind as part of our flagship £24m green growth programme.
- **£906,052** to support innovation and economic recovery in our tourism, food and drink and other local produce sectors, as part of our wider £10m investment into recovery-innovation.
- **£1,300,000** to bring new businesses and jobs into the area through inward investment, building on recent successes which are creating over 1300 new jobs.
- **£967,800** of funding into an Education Improvement Pilot Programme, to support education catch-up and strengthen the evidence base for further investment from Government.
- **£887,500** to innovate in reducing child poverty, including working with schools to reduce financial pressure on families.

These projects build on previous Investment Fund commitments of £68.91m, which are expected to generate 4197 jobs and draw in more than £250m of private sector leverage.

### Recommendations

The Cabinet is recommended to:

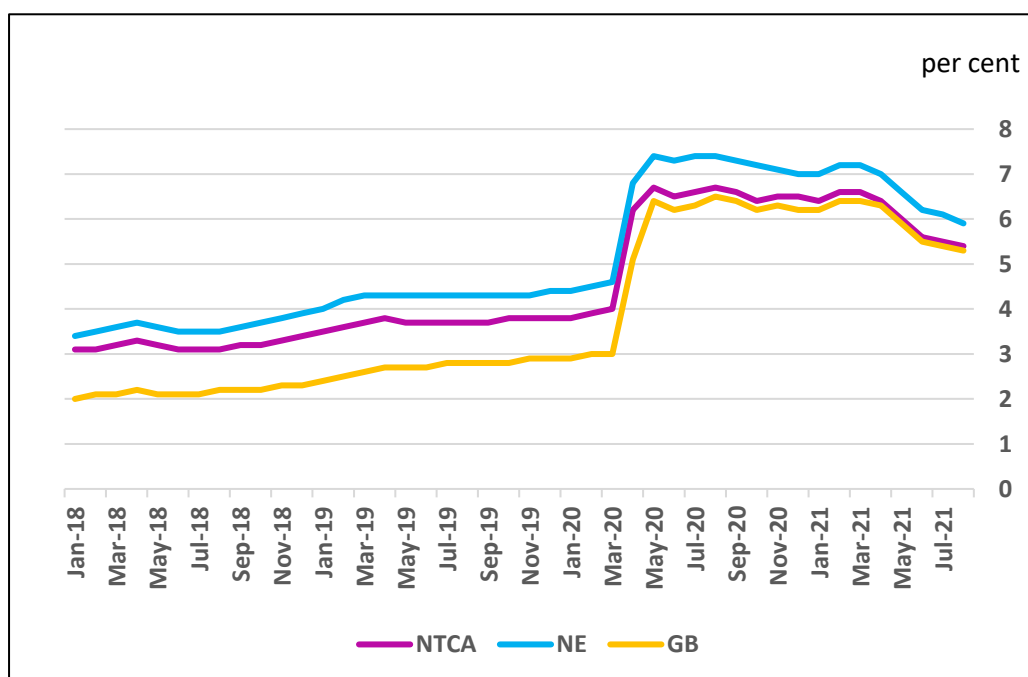
1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of defrayed expenditure and achievements in terms of tangible jobs for residents as a direct result of our investment.
2. Note that approval of the Battleship Wharf to Northumberland Energy Park and Inward Investment Capacity projects are subject to a delegated decision by the Managing Director; a separate report on this Cabinet agenda seeks approval for the Education Improvement Pilot Programme.
3. Approve £906,052 of funding to Newcastle Gateshead Initiative Ltd to deliver the Localised Supply Chains and Tourism Product Innovation project – creating jobs and supporting economic recovery in these sectors.
4. Approve funding of £887,500 to North of Tyne Combined Authority, to deliver an innovative NTCA Child Poverty Prevention Programme.
5. Authorise the Managing Director to finalise the conditions to be attached to the above funding awards and authorise the Interim Monitoring Officer to complete the necessary documentation.

## Background Information, Proposals and Timetable for Implementation

### 1.1 Background

- 1.1.1 At the time of writing this report, the economy is rebounding well from the pandemic. Economic activity across the UK is estimated by the ONS to have grown by 4.8% in the second quarter of this year. The largest increases were in retail, accommodation and food service activities and education – all sectors which had been heavily impacted by the COVID-19 restrictions. The economy is now about 4% below its pre-pandemic level.
- 1.1.2 Data for August show that average footfall to retail and recreation sites across the NTCA area had risen to around 95% of pre-COVID levels, although it has been slower to recover in the city centre – mirroring trends across the rest of the country. Many tourism, leisure and accommodation providers report strong demand over the summer, boosted by ‘staycations’. But the recovery is being dampened by skill shortages, whilst supply chain challenges continue to hit restaurants, pubs, bars and retailers, exacerbated by disruption to the logistics sector.
- 1.1.3 The latest data show that the claimant count measure of unemployment is 5.6% in the North of Tyne area, similar to the national average and down from a high of 6.7% last year (Figure 1). But, although the economy is growing and there are rising job vacancies, there are also risks to the outlook. There remains uncertainty about the path of COVID-19 over the autumn and winter. While the ending of the furlough scheme in September may be accompanied by some job losses; in the NTCA area, 129,000 employees benefitted from furlough scheme, with just under 20,000 people still on the scheme as at the end of June – although we expect that number to have fallen since June as employers have had to increase their financial contribution to the scheme.

**Figure 1: Benefit claimant rate**



- 1.1.4 Against this backdrop, the North of Tyne continues to invest to support the region’s economic recovery, alongside the wider opportunities articulated in the Devolution Deal and the Corporate Plan. Since the last Cabinet meeting, the Recovery Innovation Grants programme to support SMEs is now up and running; calls have been launched to support offshore wind innovation, skills and to develop the Brownfield Housing Fund pipeline; and 90 carers have received support through the NTCA Return

to Work Programme. The Combined Authority was a major partner in supporting the successful staging of the Great North Run on 12 September 2020 – an event which showcases the best about the region and provides significant funding for charities, alongside an immediate economic boost.

1.1.5 This report brings forward a broad range of further proposals, including to support the tourism, food and drink and other local produce sectors, offshore wind and to increase inward investment; programmes are also proposed in measures to strengthen educational outcomes in deprived communities and to reduce child poverty.

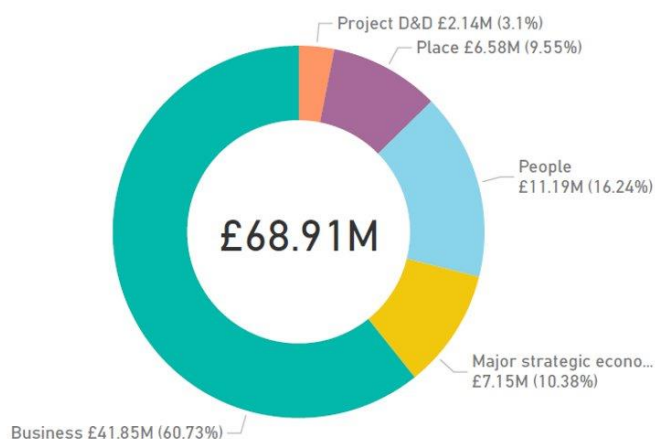
## 1.2 Investment Fund progress to date

1.2.1 Delivery of the Investment Fund Programme continues, with 75 projects now 'live'. Total contracted spend is £68.91m (figure 2) on projects which will create 4197 jobs. Further projects are expected in the next few months including around skills, housing, culture and creative sector development, and offshore wind.

1.2.2 To date, the Combined Authority has achieved:

- A contracted spend of £68.91m against 75 live projects – out of a total programme value of £90m to March 2023
- These projects will attract £252m of private sector leverage and are forecast to deliver 4197 jobs and safeguard a further 2673.
- Of these, the first 380 new jobs have been confirmed as created as a direct result of NTCA investment; in addition, 1773 have been confirmed as safeguarded.

**Figure 2: Investment Fund commitments to date**



## 1.3 Offshore and Subsea Infrastructure Programme – Battleship Wharf to Northumberland Energy Park

1.3.1 As highlighted in an accompanying report on this agenda, the offshore wind sector provides a game-changing economic opportunity for the area, and the Combined Authority. The NTCA Offshore Infrastructure Programme is focused on improvements that will strengthen existing capabilities and capacity as well as attracting new opportunities. So far, investments have been approved at the North Bank of the Tyne; Bates Clean Energy Terminal; and Swans Energy Park Phase 1. A further project – Battleship Wharf to Northumberland Energy Park – was considered by Investment Panel on 14 September 2021 and recommended to the Managing Director for approval.

1.3.2 This project is being brought forward by Blyth Harbour Commission, with the NTCA providing £1.25m towards a £2.5m spend. It will provide access to deep water berths to move components and cranes between the sites, which is not currently possible. This additional infrastructure will play an important role in establishing the linkages and infrastructure needed for the offshore renewable and

subsea sector at Blyth to flourish and is critical to the success of current inward investment enquiries.

1.3.3 The interventions include the:

- Construction of an internal heavy-duty access link between three key strategic operational employment sites – Northumberland Energy Park (NEP) Phase 1, Phase 2 and Battleship Wharf. These sites have been identified as prime growth opportunities.
- Creation of a quayside apron to allow use of cranes and heavy plan loading components at NEP1 berth.
- Development of additional hard standing capacity at Battleship Wharf.
- Installation of a marine bollard in the river to provide safe passage for vessels entering and leaving the upper estuary.

**1.4 NTCA Recovery innovation Fund: Tourism and local produce**

|                             |  |
|-----------------------------|--|
| <b>Proposal Name</b>        | Localised Supply Chains and Tourism Product Innovation |
| <b>Lead Organisation</b>    | Newcastle Gateshead Initiative Ltd                     |
| <b>Delivery Areas</b>       | North of Tyne  |
| <b>Timescales</b>           | September 2021 – March 2023                            |
| <b>Project Value</b>        | £1,206,052   |
| <b>NTCA Funding request</b> | £906,052   |

1.4.1 In November last year, Cabinet approved £10 million of funding to support post-COVID-19 economic recovery – for innovations that will make a difference now and that will leave a legacy that lasts beyond the immediate crisis. This followed on from £5m of investment agreed at the beginning of the pandemic which has been supporting businesses, VCS organisations and residents through the crisis. Cabinet approved proposals for Business Recovery Innovation Grants in July and interest in these products since the programme has launched has been strong – with over 150 businesses applying to date, and 23 of these now at contracting stage.

1.4.2 The tourism sector was hit hard during the lockdown phase of the pandemic, with many businesses evolving their approach since restrictions have lifted. This project is intended to inspire businesses to consider new innovative models of business delivery, create a new product/job/market opportunity, access local buyers and sell direct to customers through e-commerce.

1.4.3 Following an external call process, this proposal by NewcastleGateshead Initiative, in partnership with Northumberland Business Support Ltd (NBSL) and Food and Drink North East (FADNE) for an NTCA contribution of £0.9m towards a £1.2m project was scored most highly. On 14 September, Investment Panel considered the project, recommending it to Cabinet for approval subject to the funding conditions highlighted in Appendix 1.

1.4.4 Over 200 businesses will be supported by this project, including through business support workshops and webinars, a programme to identify and address key industry opportunities or challenges, grants to unlock specific growth opportunities, and by encouraging the growth of local supply chains through business-to-business and business-to-consumer digital marketplaces. In total, 50 new jobs will be created, while the project will safeguard a further 100 roles.

**1.5 Inward Investment Capacity**

1.5.1 Inward investment provides an opportunity for rapid job creation and investment. Our inward investment fund helped attract the Global technology consultancy, Thoughtworks, which announced last month that it is opening a new office in Newcastle and creating 100 roles for senior tech professionals. A further project announcement of similar size is expected in October and this follows investments by Verisure and Xplor, who are committed to creating more than 1200 jobs.

- 1.5.2 In July, Cabinet provided in-principle support for the development of a proposition to strengthen inward investment capacity and outcomes. Following an appraisal of the full business case, a £1,299,505 proposal from the North of Tyne Combined Authority – working with Invest Newcastle, Advance Northumberland and North Tyneside Council – has now been recommended to the Managing Director for approval by Investment Panel.
- 1.5.3 The programme will stimulate inward investment lead generation through proactive targeting activity. It is focused on the corporate services, life sciences and green energy sectors, replicating the cross-NTCA approach already taken in our digital sector activity. By introducing sector-specialist capacity and campaign activity, it will create in at least 200 new jobs, and add value to existing inward investment provision.
- 1.5.4 The work will include evidence gathering, development of promotional materials (sector-specific/company-bespoke propositions), proactive engagement with target companies, liaison with Department for International Trade and other trade/investment agencies to promote our NTCA offer, and hosting of events and visits. This includes activity to:
- reposition the inward investment offer of North of Tyne in a post-COVID/post-Brexit UK, working with non-sector-specialist team members to articulate this offer across marketing and communications
  - identify and support Northshoring and Foreign Direct Investment projects in their specialist areas, leveraging national and international networks and laying the groundwork for further international activity
  - develop niche subsectors propositions to pro-actively target large/'apex' companies
  - support key account management activity by identifying supply chain and expansion opportunities
  - refer relevant companies to the NTCA Inward Investment Grant Fund (or other funding routes if appropriate).

## **1.6 Education Improvement Pilot Programme**

- 1.6.1 The North of Tyne devolution deal set out a bold ambition to address historical education underperformance in our area and better prepare our children for their future. These pupil inequalities have been exacerbated further by COVID-19, making this investment an even more pressing need. Although significant Government funding of an Education Challenge is essential, as a first step the NTCA has developed an Education Improvement Pilot Programme, to support pupils now, further-strengthen the evidence base and to lay the foundations for follow-on investment.
- 1.6.2 Proposals for a £967,800 Education Improvement Pilot Programme were considered by Investment Panel on 14 September 2021 and recommended to the Managing Director for approval. The programme will be delivered by the NTCA and the three constituent local authorities through a mix of grant funding, procurement and delivery partners. It will be evidence-led and begin with a review of existing provision, to ensure we capture best practice and develop a comprehensive set of baseline information. The programme will demonstrate co-design through establishing six expert working groups to support delivery.
- 1.6.3 Focussing on pupils from the most disadvantaged backgrounds, the Programme will support around 11,000 pupils, 400 teachers, and 35 headteachers with themes including to:
- Support the education recovery of pupils North of Tyne most affected by COVID-19
  - Support the development of our teachers and school leaders
  - Improve transition into and between schools
  - Better support our schools in challenging contexts
  - Improve career pathways for North of Tyne pupils

1.6.4 This programme is described in more detail in an accompanying report on September's Cabinet agenda.

## 1.7 Child Poverty Prevention Programme

|                             |                                    |
|-----------------------------|------------------------------------|
| <b>Proposal Name</b>        | Child Poverty Prevention Programme |
| <b>Lead Organisation</b>    | North of Tyne Combined Authority   |
| <b>Delivery Areas</b>       | North of Tyne                      |
| <b>Timescales</b>           | October 2021 –September 2023       |
| <b>Project Value</b>        | £887,500                           |
| <b>NTCA Funding request</b> | £887,500                           |

1.7.1 NTCA is committed to delivering an inclusive economy for the benefit of all our residents in the North of Tyne. An increasingly important barrier to this is the high rates of child poverty, with the wider North East currently having the second highest rate of child poverty of any English region after London. On 8 June 2021, NTCA Cabinet Authorised the Managing Director, in consultation with the Portfolio Holder, to finalise next steps in taking forward a Child Poverty Prevention Programme, including securing appropriate funding.

1.7.2 Recent evidence suggests that almost a quarter of children (22%) in the North of Tyne area live in poverty – defined as households earning below 60% of median income for year 2018/19. This is equivalent to an annual household income of £17,760 or £342 per week.

1.7.3 Addressing the scale of this challenge is complex and will require sustained investment from Government. Nevertheless, there are important steps which can be taken locally – including to help more parents into employment, to support progression and good work at the real living wage, and to ensure that the welfare benefits struggling families and households are entitled to do not go unclaimed.

1.7.4 The £887,500 NTCA Child Poverty Prevention Programme was recommended to the Managing Director for approval by Investment Panel on 14 September 2021 and is based on three pillars:

- First, targeted funding of interventions in schools across the North of Tyne, to help reduce the cost of school attendance and ensuring that pupils are ready to learn. This will include a review of existing provision, establishing an expert working group for co-design, and a subsequent series of pilot interventions – reaching at least 90 schools and impacting at least 600 children.
- Second, financial support through the school gate. This will support families to better support themselves, by giving access to welfare guidance. Across our constituent authorities, we know there is strong existing practice offering individuals advice and guidance. Following a pilot in the Greater London Authority, we want to bring this advice and guidance into schools, making it easy for parents to access. This pillar will bring welfare advisors into 30 schools.
- Third, working with employers to tackle child poverty. This involves working with around 30 businesses to develop poverty reduction strategies in their workplace. Examples may include access to in-work saving schemes or a reduction in financially burdensome elements of workplace culture.

## 2. Potential Impact on Objectives

2.1 Programme delivery as described in the report is consistent with the priorities set out in NTCA's corporate plan.



### 3. Key Risks

- 3.1 Programme risks are managed in line with agreed processes and Individual project risks have been considered as part of the application and appraisal process.

### 4. Financial and Other Resources Implications

- 4.1 This paper describes projects amounting to approximately £5million of NTCA funding. Two of these projects are subject to Delegated Decisions and one in an accompanying report on this agenda; their financial implications will be fully considered through those processes. However, this report asks Cabinet to approve the Localised Supply Chains and Tourism Product Innovation project (from Cabinet's £10m allocation for Recovery Innovation) and the Child Poverty Prevention Programme (from Cabinet's £12m allocation to the Inclusive Economy Innovation Fund):

#### NTCA FUNDING

|  | 2021/22         | 2022/23         | 2023/24        | Total             |
|--|-----------------|-----------------|----------------|-------------------|
| Localised Supply Chains and Tourism Product Innovation | £323,487        | £582,565        |                | £906,052          |
| Child Poverty Prevention Programme                     | £387,047        | £406,203        | £94,250        | £887,500          |
| <b>Total</b>   | <b>£710,534</b> | <b>£988,768</b> | <b>£94,250</b> | <b>£1,793,552</b> |

### 5. Legal Implications

- 5.1 The Interim Monitoring Officer's comments have been included in this report.

### 6. Equalities Implications

- 6.1 The NTCA seeks to actively narrow inequality under the terms of the Equality Act 2010 and we will undertake an equality impact assessment for all funding requests, in accordance with the agreed process.

### 7. Inclusive Economy Implications

- 7.1 The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria. The activity described within this report is considered to positively support the Inclusive economy priorities of the Combined Authority, particularly by supporting the development of a Poverty Truth Commission.

### 8. Climate Change Implications

- 8.1 Climate change implications are assessed on an individual project basis as part of the assessment process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, particularly by supporting the development of local supply chains.

### 9. Consultation and Engagement

Stakeholders have been fully engaged in the development of the project proposals and as far as possible wider engagement has been sought in the development and market testing of open calls

## 10. Appendices

Appendix 1: Proposed Grant Funding Conditions for Localised Supply Chains and Tourism Product Innovation

## 11. Background Papers

None

## 12. Contact Officers

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## 13. Glossary

|      |                                  |
|------|----------------------------------|
| NTCA | North of Tyne Combined Authority |
| SME  | Small to Medium Enterprise       |
| ONS  | Office for National Statistics   |

**Proposed Grant Funding Conditions for Localised Supply Chains and Tourism Product Innovation**

The following funding conditions are proposed:

- The applicant adds an objective and reporting line for the number of larger businesses engaged as potential buyers.
- The applicant produces an options paper mid-way through this project on the most appropriate and sustainable long-term financial solutions for the business-to-business and business-to-consumer digital platforms.

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