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**TEES VALLEY UNLIMITED:  
LOCAL ENTERPRISE PARTNERSHIP AND REGIONAL GROWTH FUND BID**

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**Responsible Cabinet Member – Councillor John Williams, Economy Portfolio**

**Responsible Director – Richard Alty (Director of Place)**

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**SUMMARY REPORT**

**Purpose of Report**

1. This report outlines the background to, and contents of, the successful Tees Valley Unlimited Local Enterprise Partnership (LEP) Proposal (**see Appendix 1**), and the proposed bid to Regional Growth Fund (RGF). It highlights the implications of both for Darlington and seeks Cabinet's endorsement of the projects identified for submission to RGF

**Summary**

2. The Coalition Government abolished the Regional Development Agencies and encouraged proposals for Local Enterprise Partnerships. TVU submitted a LEP proposal based on the Tees Valley Statement of Ambition and building on the existing public/private partnership arrangements in the Tees Valley. It was chosen as one of the first 24 LEPs announced in October 2010.
3. Related to the establishment of the LEP is the proposal to fund initiatives in the future through the Regional Growth Fund, which has two clear objectives, to:
  - (a) stimulate enterprise by supporting projects and programmes with significant potential for economic growth and create additional sustainable private sector employment; and
  - (b) support in particular those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector-led growth.
4. The TVU is co-ordinating a submission through the Tees Valley LEP, and two projects have been submitted from private sector interests in Darlington: The Darlington Innovation Centre and the Agriculture and Equine Centre.

**Recommendations**

5. It is recommended that Cabinet:
  - (a) Endorse the Council's continuing involvement in the Tees Valley Unlimited Local Enterprise Partnership;

- (b) Endorse the approach taken to identify potential Darlington-based Regional Growth Fund projects;
- (c) Note the approach taken by TVU to co-ordinate Regional Growth Fund bids.

**Reasons**

6. The recommendations are supported by the following reasons:
- (a) to continue to influence policy and investment decisions across the Tees Valley, regionally and nationally.
  - (b) to ensure Darlington is part of the Tees Valley package of bids to Round 1 of the Regional Growth Fund
  - (c) to support a co-ordinated Tees Valley approach to securing external funding and investment

**Richard Alty**  
**Director of Place**

**Background Papers**

Tees Valley Unlimited: Local Enterprise Partnership Proposal

Steve Petch: Extension 2627

S17 Crime and Disorder	NA
Health and Well Being	The future state of the Tees Valley economy will have direct and indirect implications for the health and well being of the people who live and work there.
Carbon Emissions	The LEP acknowledges and reflects the need for sustainable economic growth and development
Diversity	The LEP seeks to improve the economic opportunities across the whole community
Wards Affected	All
Groups Affected	All
Budget and Policy Framework	The issues contained within this report do not represent a change in the Council's policy framework.
Key Decision	This is classed as a key decision and has been included within the Forward Plan.
Urgent Decision	Yes, the deadline for RGF submissions is 21 January.
One Darlington: Perfectly Placed	OD:PP has informed the Statement of Ambition and the LEP reflects the outcomes and targets re narrowing the gap and improving economic opportunities.
Efficiency	The development of the LEP and RGF bid on behalf of the 5 Tees Valley LA's and partners creates efficiencies through joint working.

## MAIN REPORT

### Information and Analysis:

#### Background

7. Tees Valley Unlimited (TVU) is a partnership between the five Tees Valley Local Authorities, regional regeneration agencies and business leaders, established to help drive forward the future development of the Tees Valley economy.
8. The TVU Statement of Ambition (considered by Cabinet on 13 July 2010) sets out a vision for the economy of the Tees Valley for the next 15 years, taking forward the work of the Tees Valley Vision (2002) and City Region Business Case (2006).
9. The statement recognises the need to build on the achievements of the Tees Valley economy over the last decade, seeks to develop existing economic assets, tackle barriers to growth and set out key priorities. There are two main ambitions:
  - (a) To drive the transition from a high value, high carbon economy to a high value low carbon economy;
  - (b) To create a more diverse and inclusive economy that builds on strengths and allows people to realise their potential.
10. The first ambition seeks to create the conditions which will ensure that some £8 billion of potential investment, interested in setting up biofuel plants, energy from waste plants, port developments, an oil refinery, nuclear power and maritime wind farm construction, comes to the Tees Valley. This will address issues such as land, infrastructure, services and the planning regime. The work will be supplemented by initiatives related to attracting businesses, creating jobs through supply chains and addressing skills requirements.
11. The second Ambition seeks to support growth in the service and retail sectors, both in town centres and major regeneration sites, through developing digital and creative industries, new business development, logistics, the health sector, relocation of government departments, financial and business services and the creation of a property market for office/industrial development which is viable without public sector support. In addition, it aims ensure that the housing offer is attractive to people who want to invest and locate in the Tees Valley, and that residents from all backgrounds have the employability and skills to access the new jobs created in the Tees Valley.

#### Local Enterprise Partnership

12. In the budget statement in June the Coalition Government announced the abolition of the Regional Development Agencies, including in this region One North East, by the end of March 2012. The Secretaries of State for Business, Innovation and Skills and for Communities and Local Government wrote to local authorities and business leaders to outline a revised process involving the creation of Local Enterprise Partnerships (LEPs). The Government set a deadline of the 6 September 2010 for submissions.

13. This approach of removing the regional level of governance accords with the Government's 'localism' agenda and creates the opportunity for the Tees Valley area to establish a direct relationship with Government in terms of both responsibilities and resources.
14. The key focus of LEPs is to create the right environment for business and growth and can cover areas such as employment and enterprise, infrastructure, transport, planning and housing as well as skills and the educational sector.
15. The Government proposed that LEPs are led through Strategic Partnerships involving a balance of local authorities and prominent figures from the business community and representative bodies, with a very strong emphasis that the programme meets the aspirations of the private sector.
16. TVU already performs this function for the five constituent local authorities and private sector partners to cooperate in developing strategic plans and delivery arrangements. The governance arrangements reflect the LEP requirements to be chaired by a leading private sector business person and embrace senior representatives from both the private and public sectors. All of the work undertaken over recent years to produce the Tees Valley Business Case and work leading to the Multi Area Agreement arrangement has established a framework to embrace large regeneration projects, inward investment, support for business and skills and elements of transport and other infrastructure.
17. A bid to become a LEP was submitted on behalf of Tees Valley Unlimited, based on the emerging Statement of Ambition (SoA). A copy of the Summary LEP submission is attached as **Appendix 1**. The full proposal can be accessed via the weblink - <http://www.teesvalleyunlimited.gov.uk/documents/LEP%20A%20Proposal.pdf>
18. TVU has also been working with, and fully supports, the Association of North East Councils and the Northern Business Forum's proposition for a strategic organisation for the north east focused on a number of activities that are best undertaken at that level, a North East Economic Partnership (NEEP). The Tees Valley submission was submitted in parallel with the other LEPs in the region together with an overarching proposal for a NEEP. Work is progressing on the NEEP proposal as complementary to the LEP.

### **Relevance to Darlington**

19. Darlington's economy is interlinked with its neighbouring Tees Valley authorities in a number of ways. This not only includes both travel to work patterns but also the functional relationship including strong links between the engineering and manufacturing expertise of firms in Darlington and those in other parts of the Tees Valley; particularly in terms of the supply chain. There are also strong links between higher and further education establishments across Tees Valley, which are essential in delivering the Statement of Ambition.
20. Darlington has made a significant contribution to the development of partnership working in Tees Valley. This has enabled Tees Valley Unlimited to act as a single voice for Tees Valley and has also meant that Darlington's unique strengths are prominent in city-region strategies. In the past this has assisted the town in securing resources for strategic infrastructure, enabling the Council to lead on the delivery of key economic development projects such as Central Park, Morton Palms, Faverdale, the pedestrianisation of the town centre, Tees Valley Bus Network Initiative, as well as secure a share of Tees Valley

Housing Growth Point funding. These are programmes and projects which have contributed to economic goals within the Sustainable Community Strategy and contributed to enhancing the quality of life of Darlington's residents. The ability to access key future funding streams such as the Regional Growth Fund or gain increased local powers will depend on the ability of a LEP to make difficult and timely decisions. Darlington's participation in a LEP based on existing Tees Valley Unlimited governance arrangements and building on existing strong relationships between leaders across all sectors, removes the risk and potential delays associated with establishing a new LEP.

### **Regional Growth Fund (RGF)**

21. Related to the establishment of the LEP is the proposal to fund initiatives in the future through the newly established Regional Growth Fund.
22. BIS presented its White Paper to Parliament on *Local Growth: realising every place's potential* on 28<sup>th</sup> October, and issued more detailed guidance on the Regional Growth Fund. The White Paper also confirmed that Tees Valley is to be one of twenty four initial Local Enterprise Partnerships.
23. The White Paper identifies two clear objectives for the Regional Growth Fund, namely to:
  - (a) stimulate enterprise by supporting projects and programmes with significant potential for economic growth and create additional sustainable private sector employment; and,
  - (b) support in particular those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector-led growth.
24. Whilst the White Paper, and associated guidance, note that the Government has avoided being overly prescriptive in relation to the types of bids which will be accepted, they further suggest that:
  - (a) all areas of England are eligible to bid for RGF, but some areas which have 'high employment, low levels of deprivation and a vibrant private sector may struggle to demonstrate how they meet the second objective of the fund;
  - (b) the fund has been extended to £1.4bn over three years from 2011/12; this will be comprised of £580m capital and £840m resource funding to maintain flexibility;
  - (c) the size of the fund will be broadly the same in each year and around half the first year allocation (£230m) will be awarded in the first round;
  - (d) real private sector 'ownership' and investment in RGF projects will be a critical factor for successful bids;
  - (e) a minimum funding threshold of £1m will apply to individual projects; to 'project packages' (where individual initiatives may be below the threshold) or to 'strategic partnerships of individual projects which individually already meet the threshold, but collectively represent a more compelling proposal';

- (f) bids must ‘set out the extent to which people living in areas where the local economy is reliant on the public sector will benefit’;
  - (g) they must also demonstrate clear additionality – i.e. that the project(s) would not go ahead without RGF support – evidencing commercial and market failure arguments, and also demonstrate clear value for money;
  - (h) Round 1 bids can only include individual projects (meeting the minimum threshold of £1m or project packages of smaller projects (each less than £1m). Programme activity such as for pots of funding to support activity that is yet to come forward is not eligible in Round 1. Separate application forms and guidance will be issued for programme activity early in 2011.
  - (i) Infrastructure provision might include interventions to improve housing supply; services such as energy and transport; or land remediation and improvements to the physical environment, where it can be demonstrated that these would lock specific business investments which lead to sustainable employment.
  - (j) RGF support must result in either goods or services being offered to the market;
  - (k) projects that ‘involve intermediate investments with no guarantee of sustainable private sector economic activity are not considered a priority for support under RGF’; and
  - (l) bids should identify the minimum amount of RGF required for individual projects to proceed.
  - (m) bids must be State Aid compliant.
25. Whilst the guidance does not refer to specific outputs which should be realised through RGF support, it does highlight a ‘non-exhaustive list’ of potential impacts including employment of otherwise unemployed labour and capital; productivity enhancements; research, development and other innovative activity; and upskilling of the workforce.
26. Based on analysis of the White Paper and bid guidance, the following principles for a Regional Growth Fund bid were agreed by the TVU Board on 9 November:
- (a) if possible there should be a Tees Valley single coherent set of bids which includes a package of projects – all of which are likely to be above the £1m threshold – which relate closely to the core themes developed through the Statement of Ambition and the Investment Plan;
  - (b) it should be built around a core of private sector-led business investment projects that would deliver substantial leverage and jobs within the three year RGF timeframe; these might include currently unfunded Tees Valley Investment Plan projects;
  - (c) the key to developing a “winning bid” will be the working closely with businesses to help them develop really strong applications. This will be stronger if it is made up of a small number of really good projects rather than a long list of small projects. However, there is scope to package some smaller projects together.

- (d) it should include supporting infrastructure and housing projects where these would unlock further business investment – subject to further clarification from Government on the issue of ringfencing and the lack of housing/transport outputs cited in RGF guidance;
- (e) the bid should be supported by a short statement (a summarised and tailored version of the Investment Plan) which will show how proposed RGF projects will complement wider efforts to promote economic growth in accord with the Statement of Ambition and the Local Growth White Paper;
- (f) it should aim to optimise opportunities for ERDF and other sources of matched funding; and
- (g) the RGF bid must show how it can add value to some of the complementary economic development initiatives identified in the *Local Growth* White Paper including the development of an online Business Link service; emerging proposals for ‘growth hubs’ to deliver support to high growth business start ups alongside a network of Technology and Innovation Centres; local delivery of national inward investment and export development programmes in partnership with UKTI; the development of the Green Infrastructure Bank; and the cessation of the Grant for Business Investment (GBI) programme.

### **RGF Bid and Darlington Projects**

27. The emerging Tees Valley Economic and Regeneration Investment Plan identified, and prioritised a range of potential economic, regeneration, housing and transport projects to support the Tees Valley Statement of Ambition. To reflect the funding opportunities likely to be afforded through the Regional Growth Fund and the implications of the Comprehensive Spending Review for public investment, there was a requirement for further prioritisation of the projects set out in the plan. This was based on various agreed criteria – strategic fit with the Statement of Ambition; deliverability; levels of risk; potential leverage; economic impact; value for money; project geography; additionality; and type of investment.
28. Early identification of project proposals from the private sector was critical to the development of the RGF bid. An officer working group was set up to co-ordinate the Council’s input to the bid to provide support and advice to the private sector. Various meetings and events were held to discuss opportunities and identify potential projects which could meet both the bid criteria, and the challenging timescales for submission (Round One bids have to be submitted by 21 January 2011). It became clear early on that only a limited number of projects were in a ‘ready to go’ position, although other projects would be considered for Round Two of the bid. Two projects in Darlington will be submitted by the following private sector interests:
- Darlington Innovation Centre - Commercial Estates Group Ltd
  - Agriculture and Equine Centre - Darlington Farmers Auction Mart Company Limited (DFAM)
29. **Darlington Innovation Centre** This project is seeking RGF to support the development of business premises – Darlington Innovation Centre at Central Park – a key strategic site in

Darlington. This will help to address the relative underperformance of the North East in terms of business formation, sustainability and productivity. It will contribute to a new enterprise surge and will create/assist at least 500 new/existing businesses over the lifetime of the project. The project will not exclusively focus on disadvantaged areas, but at least 20% of beneficiaries will be located within Darlington's most deprived wards which are in the 30% most deprived in the Country (IMD 2007). Within Central Park, the Innovation Centre will link businesses across the Central Park and into Teesside University and Darlington College providing a mix of start-up incubation, and grow-on accommodation. Through the provision of an Innovation Centre, market failures are addressed which will have an impact on jobs, businesses and the local and regional economy through assisting in repositioning the Tees Valley economy, supply chain, feedstock, technical linkages. As this facility is not currently available in Darlington there will be minimum displacement impacts on other companies.

30. **New Agriculture and Equine Centre:** The project is to create a new state of the art facility providing a range of agricultural services and products. It involves the relocation of the UK's largest prime cattle market to a strategic, accessible location and new-build facility. This will enable DFAM to create a hub for agricultural products and services. The development will release an existing town centre site at Darlington for potential mixed use development. The Development offers opportunity for significant expansion of the market business and related enterprises. It is anticipated that over a three year period, about 270 new jobs will be created.
31. Transport infrastructure projects which will lead to direct private sector investment in job creation and help connect areas of opportunity and need may be eligible for inclusion under the RGF criteria. At the time of writing this report, consideration is being given by TVU to including the **Tees Valley Metro** as a project within this context. This would have implications for Darlington in terms of improved rail infrastructure, access to and from Darlington, connectivity with major employment areas in the Tees Valley and improved facilities at this key entrance to the town. A verbal update will be given at Cabinet on this and any other bids that come forward prior to the meeting.

### **Next Steps**

32. Officers will continue to work with TVU to ensure a co-ordinated set of bids are submitted for Round 1 of the RGF by the deadline of 21 January 2011. The bids will be considered by an independent appraisal panel, and successful bids will receive a conditional offer in April/May next year, subject to due diligence.
33. Details of Round 2 are expected early in the new year. Further reports will be brought to Cabinet where there are implications for the Council.