
GROWING PLACES FUND

**Responsible Cabinet Member – Councillor Chris McEwan,
Economy and Regeneration Portfolio**

Responsible Director – Richard Alty, Director of Place

SUMMARY REPORT

Purpose of the Report

1. The report seeks Cabinet’s endorsement of:
 - (a) the proposed shortlist of six Growing Places Fund projects;
 - (b) agreement, following the due diligence exercise, of the final list of projects considered by the Tees Valley Unlimited Leadership Board on 28 March 2012 and recommended to Stockton Borough Council, as the Accountable Body to implement the decision; and
 - (c) to release £1,200,000 of Growing Places Funding to support the delivery of Central Park.

Summary

2. In November 2011, the Government announced the creation of Growing Places Fund (GPF), a £500m national pot of money to which Local Enterprise Partnership’s (LEPs) could apply to part-fund the delivery of key infrastructure projects. The announcement also set out indicative allocations for each LEP, with Tees Valley indicatively allocated £5.694m.
3. Tees Valley Unlimited (TVU) have coordinated Tees Valley’s bid to the fund, working with the five Tees Valley Local Authorities to identify Tees Valley’s priorities and submit a bid to Communities and Local Government (CLG) in the form of a pre-qualification questionnaire.
4. In line with normal TVU practice, it is suggested that the fund would be administered within TVU’s existing processes, that Stockton BC should be accountable body for the programme (subject to agreement from each Local Authority), that it would form part of Tees Valley Investment Fund and that local priority would be given to projects that contributed to the Tees Valley Statement of Ambition and projects that supported the delivery of Tees Valley Enterprise Zone.

5. Invitations were made to all Tees Valley Local Authorities to submit up to two projects for consideration. Growing Places Fund was opened up to private sector bidders, with applications sought from private sector projects.
6. Darlington submitted one project, split into two components for Central Park:
 - (a) Funding of £1.2m to support the delivery of Phase 1 Infrastructure on Central Park. The funding would be used to support the relocation of the Depot, enabling phase 1 to be delivered.
 - (b) £2m towards the costs of outstanding acquisitions on the southern (Yarm Road) gateway to Central Park. The funding would be used for any prospective compulsory purchase order (CPO)
7. In both instances, the Council is the applicant and will be the recipient of GPF funding.
8. In February 2012, CLG confirmed that Tees Valley had been allocated £5,798,759. TVU have confirmed that Darlington has been included in the shortlist of projects for £1.2m for Phase 1 Infrastructure on Central Park. Subject to satisfactorily passing a due diligence exercise, the Council will be in a position to secure £1.2m in the form of a loan to support the delivery of Central Park.
9. CKY, Central Park's developer have supported the GPF application and have confirmed that should the Council be successful in securing GPF funding, they will underwrite the loan and enter into a legally-binding agreement to re-pay the loan when it falls due.
10. It is anticipated that a report to Cabinet in May will seek consideration and approval to the refreshed Master Plan, and consequential variations to the Development Agreement.
11. In order to enable the proper administration of the Growing Places Fund, it is also necessary seek Cabinet approval of the six shortlisted projects recommended for further consideration at this stage and for Stockton Borough Council to undertake the role of accountable body for growing places fund.

Recommendation

12. It is recommended that :-
 - (a) approve the projects recommended for further consideration at this stage;
 - (b) agree, following the due diligence exercise, the final list of projects considered by the TVU Leadership Board on 28 March 2012 and recommended to Stockton Borough Council, as the Accountable Body, to implement the decision.
 - (c) Cabinet agrees to release £1,200,000 of Growing Places Funding for Central Park
 - (d) Cabinet delegate authority to the Director of Place to put in place legal agreement between the Council and Stockton Borough Council as accountable body

- (e) Cabinet delegate authority to the Director of Place negotiate the terms of the loan and corresponding underwriting agreement with CKY, Central Park’s Developer.
- (f) Cabinet authorise the Assistant Director of Resources to complete the relevant documentation.

Reasons

13. The recommendations are supported by the following reasons :-

- (a) To enhance the environmental, social and economic well-being of the Borough.
- (b) To support the development on Central Park, one of Darlington’s key regeneration schemes.

Richard Alty, Director of Place

Background Papers

No background papers were used in the preparation of this report.

John Simpson : Extension 2681

S17 Crime and Disorder	The design of the project incorporates secure by design which is a means to ensure that development mitigates against crime.
Health and Well Being	Funding will be applied to support the development of a mixed used development that will create jobs, businesses, housing and educational opportunities that will benefit the Borough. This will have a positive impact on health and wellbeing of those who work, live or do business in Darlington
Carbon Impact	Central Park is a modern project aiming to achieve high-quality development with a low carbon impact
Diversity	Central Park will be an accessible site with opportunities for the whole of the community. The scheme incorporates affordable housing and buildings will be accessible, meeting modern access requirements.
Wards Affected	Central and Bank Top
Groups Affected	N/A.
Budget and Policy Framework	This report does not represent a change to the budget and policy framework
Key Decision	This report is not a Key Decision
Urgent Decision	No
One Darlington: Perfectly Placed	This project particularly meets the ‘Perfectly Placed’ priority of the Council’s SCS. It is supporting the delivery of a key regeneration scheme that will create over 450 houses with associated community facilities as well as commercial development that will create employment within the borough
Efficiency	Project management of Central Park is undertaken by existing officers. Funding will be used to expedite development moving the project from a planning to an implementation stage. This will shorten the length of time needed for intensive project management.

MAIN REPORT

Information and Analysis

14. On 18 September 2011, the Chief Secretary to the Treasury, the Rt Hon Danny Alexander MP announced a £500m Growing Places Fund (GPF) and in November it was announced that TVU as the Tees Valley Local Enterprise Partnership (LEP) had been allocated some £5.694 million from the Fund.
15. The aim of the fund is to help boost economic growth by building the required infrastructure, enabling the creation of new jobs and homes. It is to be used to establish revolving funds which will take forward a range of projects to facilitate economic growth, jobs and house building, providing returns on investment which can be re-invested locally.
16. To access the funding a Pre Qualification Questionnaire was submitted to Government on 20th December 2012 as required to convince Government that we have in place the appropriate governance, legal and financial arrangements to receive, manage and administer the funds and that we will utilise the funds to achieve their three key objectives.
17. On 1st February DCLG announced confirmation of the allocations to LEPs with Tees Valley to receive £5,798,759, slightly more than the first allocation reflecting the fact that less has gone to the Devolved Administrations that had originally been stated in the GPF prospectus.
18. Up to 2% of Growing Places Fund will be available for management and administration of the fund. Whilst much of the support for managing and administering this level of funding is already available in house it can be used, in part, to support the development of our investment fund model for Tees Valley in relation to the EZ income and other potential funds such as the consideration of JESSICA (a European Commission and European Investment Bank initiative for financing sustainable urban development). ERDF Technical Assistance can also be matched with the GPF resources to consider and potentially develop a JESSICA application. As the GPF is unringfenced it can be carried over into future years to support the management and administration of the fund.

Projects for consideration

19. TVU was already aware of a number of public sector led proposals and following the Government announcement of the fund TVU was approached by a couple of private sector partners with an interest in accessing the Fund. However, to ensure that all potential projects were considered for the Fund TVU issued an open call from 13th – 27th January. Whilst TVU received several enquiries as a result of the open call only four completed project templates were received.

Project Assessment

20. TVU has undertaken an assessment of all projects with the support of HCA colleagues using the assessment criteria agreed by the TVU Leadership Board (detailed at **Appendix 1**).
21. In total, 14 projects were assessed and three projects were withdrawn prior to project assessment. The project assessment has been completed to the stage where a shortlist of

projects which need further detailed due diligence is undertaken before a final decision is taken. This process might lead to a project(s) being withdrawn by the sponsor or by being identified as too high risk. Therefore the shortlist identified is for more than the funds available.

Projects recommended for further consideration

22. The following projects have been recommended by TVU Management Group (including the five local authority Directors of Regeneration / Place) and the Tees Valley Local Authority Chief Executives for further detailed consideration. Businesses that are not being recommended for further consideration will not be informed until the final decisions have been taken at the TVU Leadership Board on 28 March 2012. Therefore, company names are not provided at this stage.

Project	Lead
Central Park Enterprise Zone – Enabling Infrastructure – to unlock phase one of the housing development (450 homes) and the potential development of business accommodation within a local centre. A locally funded EZ site for the digital sector. Will unlock other funding including HCA, ERDF, Get Britain Building and private sector.	DBC
Low Grange Urban Village – infrastructure work to unlock housing growth with potential for 1,000 homes. Will unlock other funding including the private sector, and a local Trust.	R+CBC
South Tees Dockside Road (feasibility, design and planning only) – preliminary works need to be undertaken to enable funding and agreements to be put in place to deliver the road scheme to open up significant employment land and improve access to the South Bank Wharf / PD Ports EZ site.	R+CBC
Teesside Advanced Manufacturing Park Business Space and site infrastructure works – required to unlock the potential for the Government Funded EZ site which currently has no business accommodation on the site. Without the scheme the EZ site will not generate any EZ income for the area and will restrict the ability for businesses to locate and benefit from the EZ incentives. Will unlock other funds including ERDF.	MBC
On site infrastructure works to secure additional inward investment activity and to secure / create additional jobs within the company itself. (located in the Middlesbrough area)	Private sector
Junction improvements to enable the development of 84 acres of industrial / business space with the potential to create 1,500 jobs. (located in the Stockton area)	Private sector

23. The investment in these projects would total £5.435m in 2012/13 and £1.5m in 2013/14 totalling £6.935m. After the management and administrative fee we will have £5,682,784 to invest. Given that one or more projects might drop out as a result of the due diligence exercise that needs to be completed it is prudent to have more projects under consideration at this stage. Additionally, if all projects were still in the running after the due diligence stage then the draw down of funding and payback of funds could potentially be made to work to be able support all the projects by committing the first repaid funds to one of the projects.

24. The GPF represents the first funds within a Tees Valley Investment Fund model that has been developed as part of the Enterprise Zone activity. The funds will be recycled into the Investment Fund together with income from Government, resulting from the Business Rates Relief sites as well as other funds that might be delegated to the area in the future such as Local Major Schemes (transport) funding, European funds and private sector funds. Over time the fund will have the potential to fund some significant investments. To prepare for this TVU is currently in the process of updating the Tees Valley Investment Plan in conjunction with the local authorities and partners. This will identify the key priority investments to achieve the TVU Statement of Ambition and will include a range of schemes such as infrastructure schemes that are needed to unlock economic growth, transport infrastructure, business sites and premises development, housing related schemes and other regeneration schemes.
25. Therefore, although the GPF money is only able to initially assist in the order of six projects across Tees Valley there will be opportunities to fund additional projects through the recycling of the GPF funds and in particular with the funds that will start to become available to the area as a result of the EZ income. Additionally, some of the schemes that were not considered suitable for GPF at this stage will be pursued through a Tees Valley EZ strategic infrastructure fund proposal to the Regional Growth Fund Round 3 which is to be launched before the end of February.

Process for development of final recommendations

26. Following the due diligence exercise TVU, with input from officers from the boroughs, will recommend the final projects for funding to the TVU Leadership Board at its meeting on 28 March 2012 on which the Leader sits.
27. However, the TVU Leadership Board does not currently have the necessary powers to agree the allocation of funds to individual projects to enable Stockton BC as the Accountable Body to enter into contracts with project sponsors. Therefore, it is necessary to get the approval of the five local authorities to this process and the projects that are recommended of the TVU Leadership Board meeting on 28 March 2012.

Darlington's Project – Central Park

28. A review was undertaken of the potential projects that Darlington could submit for consideration. Based on the selection criteria, Central Park was identified as the project that would have the greatest chance of securing and disbursing funding within the timeframe while offering the best scope to re-pay funding within a reasonable timeframe.
29. Central Park is one of Darlington's economic regeneration priorities. The economic downturn and credit crunch have significantly affected the Central Park's viability; to such an extent that the Council has been working with joint venture partners Homes and Communities Agency and One North East and Central Park's development consortium to agree a reconfiguration the project. This has involved an amount of re-negotiation of the original development agreement, a review and revisions to the Masterplan as well as agreeing steps towards a revised planning application. Full details of the proposed changes to Central Park will be set out in a subsequent report to Cabinet in May 2012.
30. Central Park has also secured Enterprise Zone (EZ) status, identified as one of three "locally funded" "Digital" EZ sites. The EZ will begin on 1 April 2012. For eligible "digital"

companies, EZ benefits include simplified planning in the form of a local development order and access to a non-domestic (business) rates discount of up to £55,000 for five years.

31. Darlington submitted one project, split into two components for Central Park:
 - (a) Funding of £1.2m to support the delivery of Phase 1 Infrastructure on Central Park. The funding would be used to support the relocation of the Depot, enabling phase 1 to be delivered.
 - (b) £2m towards the costs of outstanding acquisitions on the southern (Yarm Road) gateway to Central Park. The funding would be used for any prospective compulsory purchase order (CPO).
32. Central Park Infrastructure (£1.2m) was identified as one of the six shortlisted projects to be recommended to progress to the next stage which is to be subject to due diligence exercise. This means that subject to a satisfactory outcome from due diligence, Darlington will be offered funding of £1.2m towards Central Park.

Financial Implications

33. The funding will be in the form of a re-payable loan that the Council will be obliged to repay three years after receipt (current estimated as September 2015). CEG, Central Park's developer has agreed to enter into an agreement to pay the £1.2m when it falls due. This will be subject to a formal legally binding agreement between the Council and CKY, which will be put in place prior to the Council accepting the funding.

Conclusion

34. Agreement to the projects and proposed governance arrangements and way forward set out in the report will allow the release of Growing Places Funds that will enable Tees Valley to take further steps to the realisation of key economic projects. Growing Places Fund will provide Darlington with the opportunity to secure funding, in the form of a fixed-term three-year soft loan (at nil per cent interest) of £1.2m towards the relocation of the depot from Central Park. The current economic and funding climate continues to be difficult; however, there is reason to be more optimistic about the delivery of Central Park. Growing Places Fund offers an opportunity to support the delivery of a key regeneration priority for Darlington, providing loan funding to secure the relocation of the depot and releasing land for phase one. This will also enable CKY to provide infrastructure that will also benefit the wider site including the Enterprise Zone and prospective Innovation Centre.