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**LOCAL GROWTH FUND DELEGATIONS AND RELEASE OF FUNDING**

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

**Responsible Director – Ian Williams, Director of Economic Growth**

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**SUMMARY REPORT**

**Purpose of the Report**

1. This report is to advise Cabinet of the award of £90.3m of Local Growth Funding to Tees Valley and to seek approval to the delegation of decision-making in respect of Local Growth Fund to Tees Valley Unlimited. The report is also to advise Cabinet of funding awarded to the Council and to seek delegated authority to accept the funding.

**Summary**

2. Tees Valley Unlimited has provisionally been allocated £90.3m of Local Growth Funding (LGF) after formally agreeing a Growth Deal with Government. LGF is funding from Central Government that must be used to deliver capital projects across the Tees Valley; these include transport projects, innovation builds/developments, further education establishments and opening up sites to enable development.
3. The identification and selection and prioritisation of projects has been delegated by Central Government to Tees Valley Unlimited; although the final decision-making on individual projects remains with Central Government. The Tees Valley Councils therefore need to agree the decision making process and authorities for Tees Valley Unlimited to manage this fund.
4. Tees Valley Unlimited is a partnership comprised of Darlington Borough Council [list others] which submitted an application to become and were declared a Local Enterprise Partnership on 28 October 2010.
5. The Council has been successful in securing conditional LGF funding to support the delivery of two of its strategic priorities:
  - (a) Central Park: £2.2m has been conditionally secured to install key enabling infrastructure on Central Park (see main report for detail).

- (b) Bank Top Station: £300,000 has been conditionally secured to undertake feasibility work in relation to improving the station and the areas surrounding the station (see main report for detail).
6. In order to be able to deliver Local Growth Fund, Tees Valley Unlimited requires Cabinet approval to the governance and processes for Local Growth Fund. Details of the process and required approvals are set out in **Annexes 1 to 4** of this report.

## **Recommendation**

7. It is recommended that :-

### **In respect of Local Growth Fund:**

- (a) Note the requirements, and progress made with the 2015/16 Growth Deal Funding Agreement and Implementation Plan;
- (b) Note the principles and approach for decision making under the LGF Programme Management Framework;

### **In respect of Local Growth Fund funding secured by the Council:**

- (c) To release £2.2m of Local Growth Fund to support the delivery essential infrastructure to Central Park.
- (d) To release £300,000 of Local Growth Fund to undertake feasibility work in respect of Bank Top Station.
- (e) Note that (c) and (d) are conditional on the projects satisfactorily completing a due diligence process and approval by Tees Valley Unlimited Management Board.
- (f) Cabinet is asked to underwrite the risk of £90,000 contribution to the full cost of the project.
- (g) To note that the Director of Neighbourhood Resources will enter into funding agreements with Stockton Borough Council (as accountable body for the TVU) in relation Central Park and Bank Top Station Feasibility.

## **Delegations**

8. Cabinet approval is sought for the following delegations:
- (a) The devolution of current and future Growth Deal / LGF management to TVU governance groups, as detailed under the existing Partnership Agreement and in **accordance with the LGF Programme Management Framework (Annexes 1 and 4)**.

- (b) Delegated power to the Director of Economic Growth to proceed with the projects when funding becomes available and to note that the Director of Neighbourhood and Resources has delegated powers to enter into appropriate funding agreements with Stockton Borough Council.

## Reasons

9. The recommendations are supported by the following reasons :-
- (a) To enhance the environmental, social and economic wellbeing of Tees Valley and the Borough.
- (b) To support the developments of Central Park and Bank Top Station.

**Ian Williams, Director of Economic Growth**

## Background Papers

No background papers were used in the preparation of this report

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| S17 Crime and Disorder           | The schemes designs will incorporate secure by design which is a means to ensure that development mitigates against crime  |
| Health and Well Being            | Local Growth Fund will be applied to two projects aimed at improving the economic wellbeing of the Borough. Central Park incorporates a linear park and opportunities to work, study and spend leisure time. Bank Top Station is a key transport hub for inward and outgoing commuters. These will both have a positive impact on the health and wellbeing of residents of the Borough |
| Carbon Impact                    | Central Park is a modern development incorporating high-quality design and carbon-mitigation. Bank Top Station is a key hub for rail travel, a sustainable and low carbon transport option   |
| Diversity                        | The Bank Top Station project will seek to create improved access for all to the station and create wider opportunities to support the economy.   |
| Wards Affected                   | Central and Bank Top   |
| Groups Affected                  | None   |
| Budget and Policy Framework      | This report does not represent a change to the Council's budget and policy framework   |
| Key Decision                     | This report is not a key decision  |
| Urgent Decision                  | No   |
| One Darlington: Perfectly Placed | The projects will contribute to the Perfectly Placed strand of the Community Strategy. It will support the delivery of Central Park as a place to live, work and study. The investment in Bank Top Station will improve Darlington's   |

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|            | attractiveness to investors and build upon Bank Top's role as a strategic Tees Valley asset. |
| Efficiency | Project management of the projects will be within existing Council resources.                |

## MAIN REPORT

### Information and Analysis

10. Following a national competitive process, on 7 July 2014 Tees Valley Unlimited was informed that it had been provisionally allocated £90.3m of Local Growth Funding (LGF) after formally agreeing a Growth Deal with Government.
11. LGF is funding from Central Government that must be used to deliver capital projects across the Tees Valley; these include transport projects, innovation builds/developments, further education establishments and opening up sites to enable development.
12. LGF replaces a number of funding streams including:
  - (a) Local Authority Transport majors
  - (b) Local Sustainable Transport Fund (Capital)
  - (c) Integrated Transport Block
  - (d) Further Education Capital
13. LGF funding will support the delivery of 15 new capital projects across the Tees Valley; these include 5 transport projects, 4 innovation builds/developments, 2 Further Education establishment builds/refurbishments, 3 projects which open up sites to enable development, and continued funding of capital grants to businesses through Business Compass – the Growth Hub for the Tees Valley.
14. Of the £90.3m secured, over £72m came from the LGF competitive element; the area performed well compared to other LEPs, coming 9<sup>th</sup> out of the 39 LEPs in terms of the amount of funding secured per capita (£108 per head of population, £31 more than the England average). Indeed, per capita the Tees Valley outperformed areas such as the North East (11<sup>th</sup>), Greater Manchester (12<sup>th</sup>), Leeds City Region (13<sup>th</sup>), Humber (15<sup>th</sup>), and York, North Yorkshire and East Riding (22<sup>nd</sup>). Appendix 1 provides a detailed breakdown of the rankings.
15. With funding confirmed, TVU is now working closely with government to put the necessary arrangements in place to manage and deliver the Growth Deal/LGF projects successfully. The report compiled by TVU in **Annexes 1-4** outlines these requirements.
16. The Council has been successful in securing conditional funding to support of two of its strategic priorities:
  - (a) Central Park: £2.2m has been conditionally secured to install key enabling infrastructure on Central Park.

(b) Bank Top Station: £300,000 has been conditionally secured to undertake feasibility work in relation to improving the station and the areas surrounding the station.

17. These are two strategic projects for Darlington and Tees Valley. Investment will contribute to the Council's strategy for encouraging economic growth. In the case of Central Park, the funding will unlock development including two flagship schemes; The National Horizons Centre and the Biotherapeutics Centre (also known as Factories of the Future).

### **Financial Implications**

18. The Council will enter into a funding agreement for each of the projects with Stockton Borough Council who will act as Accountable Body for the LGF programme.

19. Funding will be provided solely to deliver the activities set out in the bid or as amended and agreed with Tees Valley Unlimited.

20. The terms of the funding agreement will mean that the Council will be solely responsible for any overspend.

21. LGF bids were initially submitted in January 2014 for projects with an earliest start date of April 2015. The cost estimates were as accurate as could be at the time; however the costs were just estimates which over the course of time will become more certain as more detailed design takes place.

22. In the case of Bank Top Station, the Council expenditure will be limited to the funding available through the procurement of fixed fee consultancy.

23. In the case of Central Park, it will not be possible to exercise the same level of control as Bank Top Station in restricting potential costs. The Council originally asked for £2.29m for the project, however in the process of allocating funds to projects, which was outside the control of Tees Valley Unlimited, the allocation was capped at £2.2m. This process has been applied to several other projects in the Tees Valley LGF programme and TVU have advised the Council that in order to address this, a corresponding reduction in the scope of the project would be acceptable.

24. However; this does not guarantee that the project will be able to be delivered within the budget and therefore Cabinet are asked to note that there is a financial risk in so much as the Council must underwrite any expenditure above £2.2m.

25. A request is made of Cabinet to underwrite the remaining £90,000 to cover the estimated full cost of the project.

## **Legal Implications**

26. TVU Leadership Board does not currently have the necessary powers to agree the allocation of funds to individual projects to enable Stockton Borough Council as the Accountable Body to enter into contracts with sponsors. It is therefore necessary to get the approval of the five Tees Valley Local Authorities.
27. The approval on allocation of funds is limited to the LGF as detailed in this report and the powers of TVU are to be exercised in accordance with the provisions of the Joint Agreement dated 31 March 2011 (**Annex 3**).

## **Procurement Advice**

28. For Central Park, the capital works will be delivered by the in-house capital works team. Any procurement will be undertaken by the Council's Head of Capital Projects using Council frameworks.
29. For Bank Top Station, an open procurement process will be undertaken through the Council's procurement team.
30. The works concerns have been placed on the procurement plan.

## **Consultation**

31. Consultation has been undertaken as part of the Central Park planning process. For Bank Top Station, the remit is to undertake feasibility work which will incorporate public consultation.