

AGENDA ITEM 5

REPORT TO THE TEES VALLEY COMBINED AUTHORITY BOARD

13 JANUARY 2017

REPORT OF THE MANAGING DIRECTOR

RECENT GOVERNMENT ANNOUNCEMENTS

SUMMARY

This paper provides a short overview of recent government announcement which impact on the responsibilities of the Tees Valley Combined Authority, and identifies the impact on our activities. It highlights new financial announcements, and government's response to areas where we have submitted proposals. Recent announcements have added to the resources available for our Investment Plan, which will be brought forward for agreement by March 2017.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority note the latest position.

DETAIL

1. The Chancellor announced the Autumn Statement on November 23rd, with an emphasis on the need for enhanced productivity and support for infrastructure. Since then, a number of specific additional announcement have been made.
2. The government is soon to announce an allocation of a third tranche of the **Local Growth Fund**; amounting to £1.8 billion nationally, of which £556 million is to the North of England. Specific allocations to individual areas have yet to be announced. The allocation is however likely to fall significantly short of the proposals that we and other areas have put forward for investment in our local economy. More positively, the allocation will contribute to a significant overall programme of devolved investment over the next five years. Whereas some LEPs have funding allocated to specific projects selected by government, in the case of the Tees Valley – because of our devolution deal - we have more local responsibility for investment decisions, and greater freedom to deliver funding according to local priorities through the Combined Authority.
3. In addition, in the Autumn statement the Chancellor also announced **borrowing powers for Mayoral Combined Authorities**. We would need to exercise this new power in close cooperation with our partner councils, who already have the power to borrow. Under the Prudential Code, we would need to identify a clear revenue source to underpin the financing costs. The Chancellor is also proposing to set borrowing limits for Combined Authorities, although at this stage it is unclear how restrictive those would be.

4. As examples of the potential application of these powers: we could borrow to invest in our Enterprise Zones, with the financing costs met by business rate growth; we could invest in our industrial assets, for example through our developing proposals for district heat networks; and could use borrowing powers alongside grant funding to support accelerated housing growth. There may also be the opportunity to use some of our devolution funding to guarantee financing costs: this was one of the original rationales for the 30 year commitment of funding under the devolution deal. As a guide, a £17m investment could be funded by an allocation of £1m a year financing costs for 25 years.
5. **On Housing**, a new Housing Infrastructure Fund of £2.3 billion by 2020-21 will be allocated to local government on a competitive basis; although the emphasis on areas of high housing need is likely to skew this towards areas of the country with the highest pressure of house prices. Of more direct relevance to the Tees Valley is the decision to relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low cost ownership, in order to meet the housing needs of people in different circumstances and stages of their lives. An additional £1.4 billion has been allocated, creating a total affordable housing programme of £7 billion to deliver an additional 200,000 homes by 2021. The Tees Valley is in discussion with government on the opportunities for accelerated development in our area through a new investment partnership with longer-term funding allocations.
6. **On Transport**, the government announced support for the proposal to dual the A66, responding to proposals developed with Transport for the North. The government also announced support for our proposal for business case development funding for the Tees Valley's East-West links between Teesport and the A1(M), and for a new Tees Crossing. These mean that Tees Valley secured two out of the twelve national programmes for large local major schemes. £750,000 has been allocated to the Combined Authority for development of these schemes, and these announcements also signal the higher priority these proposals will have within the national roads investment programme. We are also anticipating a response soon to our £3 million bid for revenue funding for our **Connect Tees Valley** sustainable transport programme.
7. There are also significant opportunities for the Tees Valley arising from the government's focus on industrial strategy. We are currently developing proposals for Carbon Capture and Utilisation, District Heating and Hydrogen. In the Autumn Statement, the Government has selected 8 areas for the second wave of **Science and Innovation Audits**: which identifies national priorities for investment in the UK's innovation infrastructure. The Tees Valley is a major partner in 2 of the successful proposals: on bio-economy (led by York) and off-shore energy (led by Newcastle). We are also leading on a further proposal for the chemicals and process industry, with the support of all northern authorities and research-led universities. We are therefore confident that the Tees Valley is well placed to secure substantial funding for locally-led initiatives which demonstrate our leading role within the UK's Industrial Strategy.

RECOMMENDATIONS

8. That the Combined Authority note the latest position.

FINANCIAL IMPLICATIONS

9. This report identifies new and potential funding sources. An Investment Plan is in development, for agreement by the Combined Authority in March 2017, which will describe the full programme of funding, and prioritise programmes of investment to deliver the Strategic Economic Plan.

LEGAL IMPLICATIONS

10. This report has no legal implications.

RISK ASSESSMENT

11. This report is for information only, therefore categorised as no risk.

CONSULTATION

12. No requirements.

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