

## Cabinet

Tuesday, 20 September 2022 at 2.00 pm

Meeting to be held: Committee Room, Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

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## SUPPLEMENTAL AGENDA

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10. <b>Investment Fund Update and Funding Approvals</b>	<b>1 - 10</b>
(Investment Fund, Funding Approvals and UKSPF Update)	

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Title: Investment Fund, Funding Approvals and UKSPF 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 Programme. This includes £6m of new project approvals, alongside advanced preparations for the delivery of the Shared Prosperity Fund. These investments will be brought forward against the backdrop of ongoing challenges around energy prices, the cost of living and a weakening economy.

- **£51.2m** of projects will be delivered through the UK Shared Prosperity Fund (UKSPF), with the first wave of the adult numeracy 'Multiply' programme starting in October and advanced preparations under way for the 'core UKSPF', in readiness for approval from Government.
- **£0.7m** of new funding to support a significant expansion of the Good Work Pledge programme, helping good employers gain recognition for their work and supporting other businesses to work towards becoming a better employer.
- **£2.8m** of site preparation works at Howdon Yard in the Port of Tyne's Clean Energy Park, providing further opportunities for investment by the offshore wind sector. This is part of a wider £25m programme which will create jobs and support the transition to low-carbon energy generation.
- **£1.5m** to enhance Berwick's growing reputation as a renowned arts town and celebrated cultural destination and provide a supportive and attractive environment in which cultural and creative businesses and people can develop and thrive. This follows £3m of previous cultural investment focused on the 'Clayton Street Corridor' and North Shields Town Centre.
- **£0.9m** to enable housing development at the Moorside site at Newbiggin-by-the-Sea, unlocking 71 new homes including a number of new affordable homes, as part of the £31.8m Brownfield Housing Fund which will deliver at least 2,100 homes.

The projects discussed in this report build on previous Investment Fund commitments of **£106.59m**, which are expected to create **4635 jobs**, almost half the NTCA's 30-year target. Excellent progress is being made in establishing these jobs, with 962 having already been created. The report also updates on good progress on the NTCA's SME decarbonisation programme, which will help reduce carbon emissions and save costs.

## Recommendations

Cabinet is recommended to:

1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing project development work, particularly in respect of the creation of new jobs for residents as a direct result of our investments.
2. Approve £730,507 of funding for the Good Work Pledge Programme, which will be led by the NTCA.
3. Authorise the Chief Executive to make final approvals, under delegated decision, for the following projects: £2,829,440 of site preparation works at Howdon Yard; £1.5m for the Berwick Culture and Creative Zone; and up to £936,321.34 for the Moorside housing scheme in Newbiggin-by-the-Sea
4. Authorise the Director of Finance to accept grant offers from Government with respect to the Shared Prosperity Fund and DCMS Create Growth Programme on behalf of the Authority, subject to the terms and conditions set out by the grant awarding bodies.

5. Authorise the Chief Executive, in consultation with the Director of Finance and relevant Cabinet Members, to approve the commissioning approach and subsequent grant agreements and/or contracts associated with the Shared Prosperity Fund. Project approvals should be made with reference to fit with the NTCA SPF Investment Plan, value for money and deliverability.
6. Authorise the Chief Executive, in consultation with the Director of Finance and relevant Cabinet Members, to approve the deployment approach and any subsequent grant agreements associated with the DCMS Create Growth Programme.

## **A. Context**

### **1.1. Background and Economic Context**

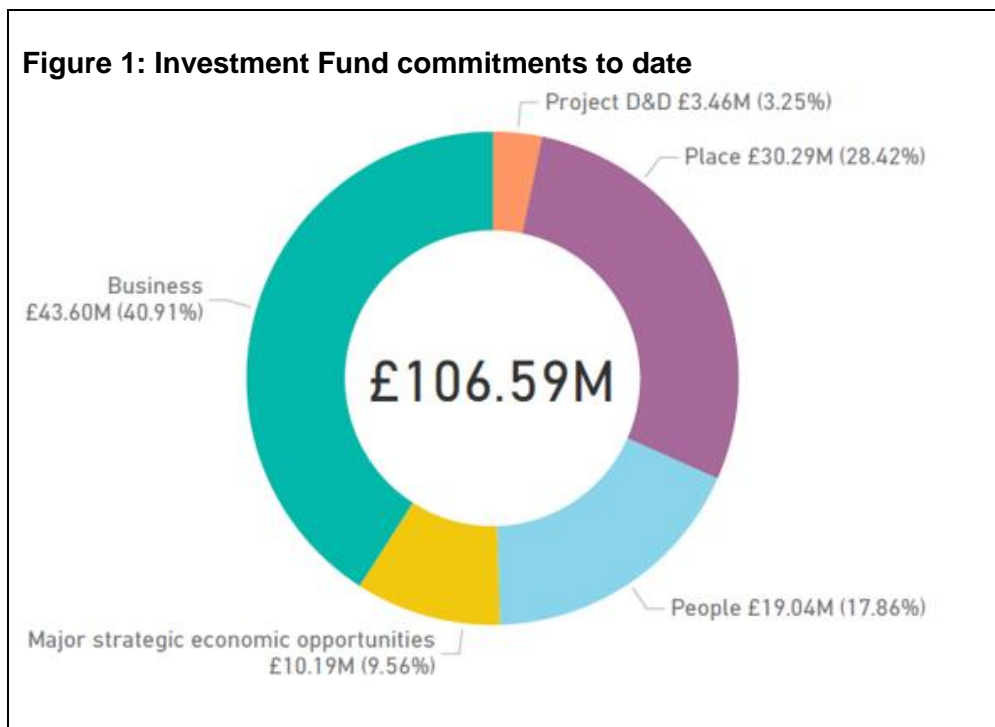
- 1.1.1. The economic backdrop for the NTCA's work continues to be dominated by high inflation, the cost-of-living crisis and signs of a weakening economy.
- 1.1.2. The latest data show inflation of about 10% over the last year, driven by higher electricity, gas and fuel prices. The prices of food and non-alcoholic drinks are increasing rapidly too – with many staples (e.g. milk, pasta, flour) up by over 20% in the past year. High inflation reflects a number of underlying factors including: increased energy costs and shortages of goods and materials as a result of the Ukraine crisis and trade frictions, the ongoing fallout from COVID-19 and skill shortages.
- 1.1.3. Average pay has increased by 6.2% (although by much less for many workers), which means a significant cut in pay in real terms. Excluding bonus payments, the real value of pay is falling faster than at any time since comparable records began twenty years ago. Last month, the Bank of England said it expected the UK to fall into recession at the end of this year – reflecting both expected reductions in household spending and ongoing disruption to many world-wide supply chains.
- 1.1.4. On 8 September, the Prime Minister announced that there would be an 'energy price guarantee', effectively meaning that a typical household's energy bill will rise to £2,500 from 1<sup>st</sup> October, up from the current cap of £1,971 and £1,277 a year ago. The guarantee will last two years; before the announcement, typical household bills had been due to rise to £3,549 with expectations that they could rise significantly further. In addition, all households will receive a £400 reduction off their energy bills this year, with low-income households on a number of benefits receiving an additional £650 and those on disability benefits a further £150.
- 1.1.5. Many of our 31,000 businesses (four fifths with under 10 employees) are also facing big increases in energy costs; some will have previously agreed fixed-term contracts for energy and we have heard reports from local businesses facing 5-fold increases in bills when contracts are renewed. Government has announced a new six-month scheme for businesses and other non-domestic energy users (including charities and schools) which will offer 'equivalent support' to that for households – with details to follow.
- 1.1.6. Against this backdrop, the Combined Authority continues to invest to support inclusive economic growth and this report provides updates on:
  - delivery of the Investment Fund, including excellent progress towards our 10,000 new jobs target;
  - a major expansion of the Good Work Pledge, which promotes work which will both improve opportunities for residents and strengthen the economy;
  - investment at the Howdon Yard, helping unlock jobs growth on the Tyne and supporting the transition to lower carbon and improved energy security;
  - the Berwick Culture and Creative Zone, including investment in workspace, business support and skills;
  - a further project approval for our Brownfield Housing Programme, unlocking 71 new homes in a key coastal community; and

- plans and objectives for the deployment of our £51.2m Shared Prosperity Fund.

## 1.2. Investment Fund progress to date

1.2.1. Delivery of the Investment Fund Programme continues, with 127 projects now approved. Excluding the projects discussed in this report, the Combined Authority has achieved:

- A contracted spend of £106.59m (figure 1), including commitments and expenditure into the next programme period, to ensure ongoing progress with our strategic priorities.
- In addition, 7 brownfield housing schemes have been supported so far, with a total NTCA contribution of £17.15m. These will unlock 1570 housing units, substantial progress towards our target of 2020 units.
- Together, these projects have secured £292m of private sector leverage and are forecast to deliver 4635 new jobs and safeguard a further 2643.
- Of these, the first 962 new job opportunities have been created with North East residents employed as a direct result of NTCA investment; 1663 have been confirmed as safeguarded.



## 1.3. Good Work Pledge

1.3.1. The Good Work Pledge is one of NTCA's flagship programmes and a key element of our approach to building a more inclusive economy. It helps businesses in the North of Tyne gain recognition for being a provider of 'good work' and supports other businesses to work towards becoming a better employer where they do not currently meet the requirements for standard or advanced level accreditation. It was launched in November 2021; membership has now grown to 70 pledge holders covering over 40,000 employees and there is strong interest from other businesses.

1.3.2. The Good Work Pledge was launched because of a need to improve employment standards:

- 22% of the workforce earn less than the 'real' living wage in the NE.
- Zero-hour contracts, one of the key forms of insecure work, are more than 20% higher than the UK average.
- Residents who are deaf, or experience another disability are significantly less likely to be employed compared to people with no disabilities (similar for Black, Asian and minority ethnic backgrounds).
- High rates of child poverty and some of the greatest increases nationally in the last five years
- Declining rates of in-work training.

- 1.3.3. In addition, there is significant evidence, as reported recently by the Work Foundation and Institute of Employment Studies,<sup>1</sup> that organisations that invest in their staff “perform more strongly on key indicators like profit and sales growth” and that this is true for employers of all types and sizes.
- 1.3.4. This five-year and £730,507 project will significantly increase uptake of the Good Work Pledge. The objective is that a minimum of 900 organisations will hold the Standard or Advanced Level of accreditation by end of March 2027 – with early signatories successfully re-accredited and able to demonstrate impact of their Good Work practices. It will be run by the NTCA working closely with other partners. In addition to increasing capacity to support organisations to apply to the Good Work Pledge and for the underlying administration of the scheme, the project will enable increased marketing to raise awareness and applications to the scheme across a wider range of businesses, whilst improving the sharing of knowledge, peer-to-peer support and continuous learning.
- 1.3.5. Investment Panel considered this project at their meeting on the 14 September, recommending the project to Cabinet for approval.

#### **1.4. North of Tyne Offshore & Subsea Infrastructure Programme – Tyne Clean Energy Park, Howdon Yard**

- 1.4.1. The low carbon energy sector provides a game-changing economic opportunity for the area, with the potential for many thousands of additional jobs. Given the scale of opportunity, but also the scale of upfront investment needed to realise it, NTCA has agreed a headline allocation of £16m for infrastructure development which progresses infrastructure in ports and quays, creates investment in demonstration and research opportunities to unlock further growth, or in progressing the needs of the offshore wind and subsea supply chain. Nearly £12m has already been awarded for five projects.
- 1.4.2. This aim of this project is to undertake site remediation and preparation works at the Howdon Yard and associated quayside, bring forward a 3.5 hectare site which will be attractive to end-users in the offshore energy sector. The Howdon Yard and Quay is part of the Port of Tyne’s Tyne Clean Energy Park. It benefits from access to deep water, increasingly important to operators in the offshore energy sector, and is only 6.5 km from the mouth of the River Tyne and the North Sea. The site is adjacent to the A19 Tyne Tunnel and links to major road networks.
- 1.4.3. The current condition of the site and the berth is a barrier to securing an end user, and projects have been lost to other locations. However, redevelopment is not currently economically viable without external funding. This project will develop half of the Howdon yard, including quay repair works, site remediation, drainage, fendering and site security works.
- 1.4.4. The total cost of this project is £5,658,880 with Investment Panel recommending the request for £2,829,440 from the NTCA, subject to final approval by the Chief Executive. On the basis of a strong pipeline of enquiries from the site, our expectation is that 80 jobs will be created on the site after it has been redeveloped, with 44 construction related jobs needed to carry out the site works. In addition, there is the potential for a further 250 jobs on completion of other phases of development at this site.

#### **1.5. Supporting growth of the Cultural and Creative Sector:**

##### **i. Berwick Cultural and Creative Zone**

- 1.5.1. The Culture and Creative programme links directly to NTCA’s strategic priorities and is identified as a priority sector in both the Devolution Deal and corporate plan. We deliberately take a place-based approach to investing in the development, sustainability and growth of the culture and creative

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<sup>1</sup> See: <https://www.employment-studies.co.uk/system/files/resources/files/448.pdf>

sector and our Cultural and Creative Zones are designed to provide a supportive and attractive environment for creative and cultural businesses and people to locate, start-up, grow, and flourish. They will provide stability and continuity for the sector, focusing on building commercial confidence and resilience whilst over time positioning the North of Tyne area as a leading UK location for culture and creative sector growth.

1.5.2. This project will support the development of the Berwick Culture and Creative Zone, located in the Town Centre between The Maltings and Berwick Barracks and will complement other investment in the Town of about £22m. It follows previous Cabinet approvals for Zones around the Clayton Street Corridor area in Newcastle and in North Shields Town Centre.

1.5.3. The project will create a continuous flow of people and creative activity within Berwick's town walls, whilst benefiting the people, businesses and communities of the whole Berwick area and beyond. The Zone will enhance the town's reputation as a renowned arts town and celebrated cultural destination, and provide a supportive and attractive environment in which cultural and creative businesses and people can develop and thrive. NTCA investment will enable this through the strategic coordination, collaboration and scale-up of Berwick's cultural and creative assets and activities, and themed work packages:

- Workspace and Place: varied workspaces will include small studios, shared workshops, rehearsal space, retail and exhibition space, meanwhile spaces and a public facing Creative Resource Centre
- Business Support: tailored support, advice and training to freelancers, micro businesses and SMEs, to help them generate an income from creative content and run a successful business.
- Skills Development: support for young people, early-stage artists and the wider community to develop creative skills, take part in cultural activities and gain the experience needed to work in the sector, including through working with FE and HE providers.
- Profile Raising: profile raising of the cultural and creative industries in Berwick, the people who work in them, the value they bring to the town, and the opportunities they offer.
- Expand Community and Audiences: development of new ways to encourage community engagement and participation and existing activities supported to scale-up – including with schools, a volunteer programme and community exhibitions.

1.5.4. The total costs of the project are £1,616,072 – with Investment Panel recommending the approval of £1.5m of NTCA investment to the Chief Executive. Overall, the project will work with 210 businesses and 300 residents, supporting 23 direct jobs and 25 indirect jobs.

## **ii. DCMS Create Growth Programme**

1.5.5. Recognising that the creative industries are one of the fastest growing sectors of the UK economy, DCMS launched a Create Growth Programme in June 2022. Six successful local area partnerships will be awarded approximately £1.75m in grant funding to deliver targeted business support to high-growth potential creative businesses.

1.5.6. An expression of interest submitted by the NTCA on behalf of North East partners was shortlisted and a full business case stage was submitted in August 2022. The programme is based around key target sectors of growth around IT/Software and computer services (with a focus on CreaTech; Gaming, AR/VR and E-sports), Design/Designer Fashion, Publishing, and Film and TV. Cabinet is asked to delegate authority to the Chief Executive and Chief Finance Officer to accept the funding in the event the application is successful.

## **1.6. Brownfield Housing Fund – Moorside, Newbiggin-by-the-Sea**

1.6.1. Since the last meeting of Cabinet, a further housing site has been recommended to the Chief Executive for approval, subject to final due diligence. This proposal relates the former Moorside First School in Newbiggin-by-the-Sea, Northumberland. This site has been vacant since the closure

of the school in 2009, which has been subsequently demolished. The applicant is Ascent Homes, who are the house-building arm of Advance Northumberland, and the scheme will unlock 71 new residential units, including 8 affordable homes. This site has a viability gap and BHF funding is sought to unlock the development.

- 1.6.2. The total cost of this phase of the development is £13.7million with a request for an NTCA contribution of up to £936,321.34. The scheme contributes towards the regeneration of a key coastal community in South East Northumberland. It will clean up a brownfield site and will also provide opportunities for local sub-contractors to carry out the works.
- 1.6.3. Overall, good progress is being made on the NTCA's £31,830,511 Brownfield Housing Fund programme. Together with previous approvals, this project would mean that half of the fund has now been committed on schemes which are expected to deliver 1,339 homes – meaning we are well on track towards achieving our target of 2,100 homes.

## 1.7. Update on NTCA's Business Decarbonisation Support Programme

- 1.7.1. Reducing carbon emissions, supporting business growth and creating green jobs are key priorities for the NTCA. In January 2022, NTCA's Cabinet approved an indicative £0.8m for a programme of advice and support for businesses to help them reduce their carbon emissions. This was in response to several recommendations from the NTCA's Citizens' Assembly on Climate Change.
- 1.7.2. This project is primarily aimed at SMEs, who make up 98.5% of firms in the North of Tyne region and account for about half of carbon emissions. Along with the need to reduce emissions, SMEs are also facing the challenges of significant increases in energy bills, supply chain disruption, Covid recovery, and reduced demand cost-of-living crisis. Research suggests business can save at least £3,000 a year through energy efficiency measures and the Carbon Trust suggests that a 20% cut in energy costs represents the same bottom-line benefit as a 5% increase in sales in many businesses. However, advice and support is required to enable SMEs to make the changes to reduce their emissions and energy costs. Barriers to implementing energy efficiency measures include financial concerns, lack of time and lack of information.
- 1.7.3. Following an open call process, Investment Panel has recommended that one project proceeds to full business case. In addition, to around 120 SMEs receiving business support, we expect around 60 of these to benefit from energy efficiency grants, expected to achieve over 700 tonnes of GHG savings and (a recurring) £350,000 per annum in cost savings.

## 1.8. UK Shared Prosperity Fund

- 1.8.1. As previously discussed by Cabinet, the NTCA was allocated funding of £47.1m for 'core-UKSPF' and £4.1m for the 'Multiply' adult numeracy programme, covering the areas of Newcastle, North Tyneside and Northumberland. Following an intensive programme of consultation – with events attracting around 600 participants – the NTCA submitted Investment Plans for both the 'core-UKSPF' and Multiply programmes ahead of Government's deadlines. Table 1 sets out proposals for the allocations of funding across investment themes, with the annual profile constrained to match the allocation from Government.

**Table 1: Summary of UKSPF spend profile**

	(£m)	2022/23	2023/24	2024/25	Total
<b>Community and Place</b>		£2,286,000	£4,300,000	£9,300,000	<b>£15,886,000</b>
<b>Supporting Businesses</b>		£3,428,206	£4,094,213	£11,583,808	<b>£19,106,227</b>
<b>People and Skills</b>		-	£3,034,200	£9,058,634	<b>£12,092,834</b>
<b>Total Core UKSPF</b>		<b>£5,714,206</b>	<b>£11,428,413</b>	<b>£29,942,442</b>	<b>£47,085,061</b>



<b>Multiply Programme</b>	£1,248,185	£1,440,211	£1,440,211	<b>£4,128,607</b>
<b>Total with Multiply</b>	<b>£6,962,391</b>	<b>£12,868,624</b>	<b>£31,382,653</b>	<b>£51,213,668</b>

1.8.2. UKSPF investment will, alongside our other funds and programmes, enable us to:

- Maximise the benefits of our Economic Growth Corridors (the Northumberland Line; the Arc of Energy Innovation between Blyth and the Tyne; and our Urban Core), creating more opportunities for residents, businesses and communities
- Grow businesses in important growth sectors (clean energy, digital, health & life sciences, professional services, culture and tourism), creating new high-quality jobs, supporting innovation, and boosting productivity.
- Build an inclusive economy, ensuring all our residents benefit from economic growth and prosperity by investing in skills and access to good quality jobs, supported by our Good Work Pledge.
- Deliver sustainable growth by accelerating the net zero transition in our economy and communities.
- Invest in our rural economy and communities recognising the opportunities presented by our unique environment and land assets, as well as the specific challenges facing rural areas.

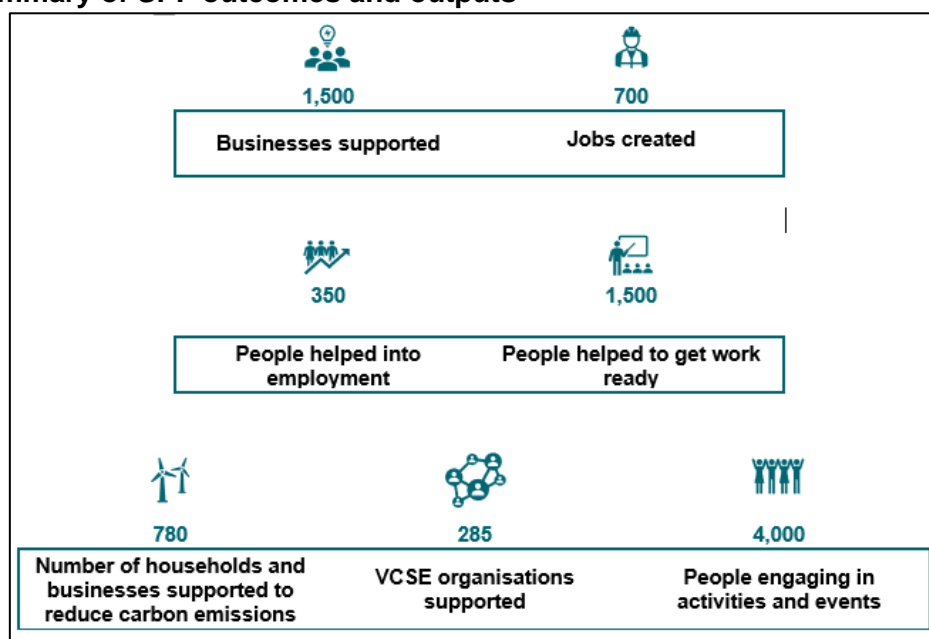
1.8.3. The Multiply Programme will include:

- Courses designed to increase confidence with numbers for those needing the first steps towards formal numeracy qualifications
- Courses designed to help people manage their money
- Courses for parents to increase their numeracy skills to support their children
- Provision designed with VCSE partners aimed at engaging with the hardest-to-reach learners
- Innovative programmes delivered with employers to support numeracy needs in the workforce

1.8.4. Figure 2 provides an update on the expected outputs and outcomes from the programme, including:

- Businesses supported and jobs created
- People helped into employment and to get job ready
- Support to reduce carbon emissions, invest in the VCSE sector and engage people in activities and events.

**Figure 2: Summary of SPF outcomes and outputs**



1.8.5. Government approved the Multiply Investment Plan in August and the first project delivery – which will focus on personal financial wellbeing – will start in October. While later this month, Community Organisations, the VCSE sector and other partners will be asked to bring forward proposals to support Family Learning and engagement with our most hard-to-reach residents.

1.8.6. At the time of writing this report, we are still waiting to hear the outcome from Government of our core UKSPF Investment Plan submission. But, given the importance of moving rapidly into delivery, Cabinet is asked to delegate authority to the Chief Executive and Director of Finance to accept the funding in the event the application is successful and to undertake the necessary steps to operationalise the programme.

**B. Impact on NTCA Objectives**

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

**C. Key risks**

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

**D. Financial and other resources implications**

The funding profile for the Good Work Pledge is as follows:

	2022/23	2023/34	2024/25	2025/26	2026/27	Total
NTCA Investment Fund	£62 288	£173 274	£172 124	£171 135	£151 686	£730 507

The financial implications relating to other programmes will be considered by delegated decision.

**E. Legal implications**

The Monitoring Officer’s comments have been included in this report, and the Monitoring Officer will continue to oversee subsidy control compliance.

**F. Equalities implications**

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.

**G. Inclusive Economy and Wellbeing implications**

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.

**H. Climate Change implications**

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 growth of the offshore energy sector and by supporting SME decarbonisation.

**I. Consultation and engagement**

Stakeholders have been fully engaged in the development of project proposals and, as far as possible, wider engagement has been sought in the development of the programme – particularly the UK Shared Prosperity Fund

**J. Appendices**

None

**K. Background papers**

None

**L. Contact officer(s)**

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**M. Glossary**

DCMS	Department for Culture, Media and Sport
NTCA	North of Tyne Combined Authority
SME	Small to Medium Enterprise
UKSPF	UK Shared Prosperity Fund

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