



Leadership Board

Tuesday 21st March 2017 at 2.00 pm

Meeting to be held in a Committee Room, Northumberland County Council, County Hall, Morpeth, NE61 2EF

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SUPPLEMENTAL AGENDA

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Project Approvals - Local Growth Fund and Go Ultra Low	

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To All Members

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North East Combined Authority

Leadership Board

Date: 21 March 2017

Subject: Project Approvals – Local Growth Fund and Go Ultra Low

Report of: Head of Paid Service and Chief Finance Officer, NECA

Executive Summary

This report seeks approvals from the Leadership Board to proceed with the issuing of a full and extended Stage 1 grant funding agreements to allow the progression of the 'Northern Access Corridor' (Combined Phase 2 and 3); the South Shields Transport Hub; and the North Bank of Tyne (Swans) projects. All three projects are funded in part by the Local Growth Fund (LGF) grant and are included in the current LGF programme.

Requests for approvals for the following Local Growth Fund projects are included in this report:-

- Northern Access Corridor, Combined Phase 2 and 3 project.
- South Shields Transport Hub Stage 1 – further extension.
- North Bank of Tyne (Swans Site Infrastructure) – Stage 1 approval

The report also requests that any final changes to the programme to maximise the use of the LGF grant that are approved by the LEP Board, be considered by the Leadership Board under urgent delegated decision making arrangements.

Approval is requested for a £2m programme provision for advance Enterprise Zone work in order to accelerate the development and delivery of the Enterprise Zone sites. Approval is also requested for specific works at the Newcastle International Airport and Sunderland A19 Enterprise Zone sites that were agreed by the LEP Board in January.

The report also outlines arrangements to be put in place to secure the grant funding that has been allocated to the Go Ultra Low North East Programme.

Recommendations

The Leadership Board is recommended to -

1. To agree to the issuing of a full Grant Funding Agreement of £4.204m to deliver the combined Northern Access Corridor Phase 2 & 3 project, which will now be treated as one project, and in accordance with specific conditions as set out in paragraph 2.1.3 of this report;

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2. To agree to further extend the South Shields Transport Hub 'Stage 1' LGF Grant Funding Agreement by £0.900m, to £3.400m, for further development and enabling works and in accordance with specific conditions as set out in paragraph 2.2.3 of this report;
3. To agree a Stage 1 LGF grant funding allocation of £1.260m for advance works on the North Bank of Tyne (Swans) project, as outlined in section 2.3 subject to standard grant funding terms and conditions including clawback clauses should follow on works not proceed and also confirmation that this assistance is compliant with State Aid regulations;
4. To agree a £2m block programme available to fund advance Enterprise Zone works to help accelerate activity on the enterprise zone sites, funded initially by Local Growth Fund grant and then from business rate income from the sites, as set out in section 2.4;
5. To agree to the £1.417m of first phase highway infrastructure works on the Newcastle Airport Enterprise Zone site, and an additional £3.5m for the Sunderland A19 Hillthorn Farm Enterprise Zone – Site 3 Highway Works and Land Remediation, which was approved by the North East LEP in January and is to be funded from business rate receipts, as set out in section 2.4;
6. Delegate authority to the Head of Paid Service to implement any change to the Local Growth Fund Grant Funding programme agreed to by the Local Enterprise Partnership Board on 23 March, in consultation with the Chair, the Chief Finance Officer and Monitoring Officer;
7. Authorise the Monitoring Officer to finalise and enter into any legal and Grant Funding documentation required to enable the Local Growth Funding programme to proceed; and
8. Delegated authority be given to the Head of Paid Service in consultation with the Lead Chief Executive for Transport, Chief Finance Officer and the Monitoring Officer to take all appropriate steps to implement the Go Ultra Low North East Programme and authorise the Monitoring Officer to negotiate and complete the associated funding agreement(s) and all other relevant legal documentation to deliver the Programme.

1 Background Information

- 1.1 The Local Growth Fund encompasses 21 major transport projects across the region. A 'Transport Assurance Framework' sets out the governance and approvals process for major transport projects that have been given LGF programme-entry by the NECA Leadership Board and Local Enterprise

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Partnership Boards. Requests for approval to release allocated Local Growth Funding are taken to the Leadership Board following individual project business case development by project sponsors and a satisfactory independent examination. A number of major transport projects have already been fully approved by the Leadership Board, as well as others granted 'Stage 1' funding agreements prior to business case finalisation to allow project development and advanced works. This report seeks approvals for one full and one Stage 1 grant funding agreement for Local Growth Fund major transport projects; one Stage 1 grant funding agreement for a non-transport LGF project and for funding agreements for two Enterprise Zone projects and a programme of advance Enterprise Zone works.

2 Proposals

2.1 Northern Access Corridor Combined Project – Full grant funding agreement

2.1.1 The Northern Access Corridor Programme Project is a series of highway interventions across the north of Newcastle in a broadly west-east route from Cowgate Roundabout in the west to Haddrick's Mill Junction in the east. Two particular sections were given entry onto the LGF programme as distinct projects by the Leadership Board and LEP Board in 2014 following Growth Deal funding announcement from the government. These two projects were the Northern Access Corridor Phase 2 (Cowhill to Osbourne Road) and Northern Access Corridor Phase 3 (Osbourne Road to Haddrick's Mill). 'Stage 1' grant funding agreements of £3.680m and £0.635m were approved for the Phase 2 and Phase 3 projects respectively by the Leadership Board at meetings in early 2016 prior to full business case development for the two projects. The Phase 2 Stage 1 funding agreement involved exchange-funding with earlier elements of the wider Northern Access Corridor scheme to maximise in-year LGF spend in 2015/16. Since the issuing of the two Stage 1 funding agreements, just over £4m has been spent and claimed across the two projects. The project is one of Newcastle City Council's stated priorities.

2.1.2 In late February 2017, a full and combined business case was submitted by Newcastle City Council for the Phase 2 and Phase 3 projects. The combining of the two projects into one project is logical due to the intrinsically linked physical outputs and target impacts / beneficiaries. The combined business case has recently undergone an independent review as part of the LGF assurance process to test the project's value for money, strategic impact and deliverability. The independent review has raised some issues which will need to be resolved before the final business case can be finalised, which in summary are as follows:-

- Details of the approach to economic case construction and testing;

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- Financial risk associated with outstanding detail design aspects;
- Suitability of the approach to inflation and risk calculation and coverage;
- Full budget confirmation;
- Management case aspects, including securing possible remaining planning consents; land acquisitions; and provision of a monitoring and evaluation plan.

2.1.3 NECA officers consider that while the identified matters need to be satisfactorily resolved, there is sufficient ground and evidence to allow the project to progress to a full funding agreement and construction phases, subject to number of specific conditions that manage the outstanding risk and business case issue resolutions associated with the project. These conditions are:-

- (i) Confirmation, in a final sub-case review by the NECA's independent transport business case reviewer, of a robust and compliant approach to the formation of the economic case within the scheme business case and the calculation pertaining to the allowance for inflation and risk contingency, before LGF grant can be paid in respect of the remaining project allocation detailed in this proposed funding agreement;
- (ii) Detail design completion and final contract prices demonstrating costings that are in line with the project's secured budget; *or that*;
- (iii) The project's budget is extended through non-LGF funding streams to cover any increase in project costs against the project scope as it was defined in the business case of February 2017 and that the project's base benefit-to-cost ratio remains higher than 2:1 (confirmed by the end of July 2017);
- (iv) That a full Monitoring & Evaluation Plan for the project is submitted by the project sponsor, and reviewed by the NECA's transport business case advisor and deemed as sound and compliant by the end of May 2017; and
- (v) Confirmation that non-LGF funding streams that were to finance elements of the Northern Access Corridor Phase 1 and Gosforth Transport Improvement projects, displaced by the LGF released by the Stage 1 grant funding agreement to the original Northern Access Corridor 'Phase 2' project, are recycled back into the combined Northern Access Corridor Phase 2 and 3 project in future years.

2.1.4 It is therefore proposed that a full grant funding agreement for £4.204m – which is the remainder of the combined provisional LGF allocation of £8.519m to the project – is issued to Newcastle City Council incorporating the above conditions, which will need to be met before the additional LGF grant can be drawn down.

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2.2 South Shields Transport Hub – extension to Stage 1 funding agreement

2.2.1 The Transport Hub is part of a wider regeneration scheme in South Shields Town Centre to deliver a step change in the customer offer and experience. Work to acquire the site for the Hub and develop the business case has been progressed by South Tyneside Council in conjunction with Nexus. A Stage 1 grant funding agreement for £1.6m of LGF for the project was approved by the Leadership Board in January 2016 to facilitate these works prior to the confirmation of the full business case. This funding agreement was then extended to £2.5m LGF through approval of the Leadership Board at its meeting in January 2017, in order to maintain sound progress on the project and to bridge the gap between the current phase of the project and full funding award, which is anticipated to be brought to the November 2017 Leadership Board following receipt of a full business case. The work progressed on the project under the Stage 1 funding agreement includes developing new premises for displaced land owners and occupiers (chiefly the Royal Mail and Post Office) and highway junction works on the road network within the boundary of the '365' regeneration project.

2.2.2 South Tyneside Council, the project sponsor, now estimates that it could in fact spend up to £4m on these enabling works for the Transport Hub by the end of 2016/17, inclusive of previous spend in 2015/16. To maximise performance across the wider LGF programme in 2016/17 and to further support the sponsor in maintaining a good rate of progress on the project, it is now requested that a further £900k LGF approval is added to the project's Stage 1 funding agreement, bringing the new Stage 1 agreement total to £3.4m. These funds are within the total provisional LGF allocation to the project of £9.4m – the approval to release the remainder of which would be sought at a future Leadership Board when a full and satisfactory business case is in place for the project (expected November 2017). The difference between the LGF grant approval and the potential total spend sum would be met by the Council's local match funding contribution to the project.

2.2.3 The specific conditions that were presented to Leadership Board as part of the earlier Stage 1 funding agreement extension in January 2017 are still entirely relevant and protect the LGF investment against reasonable project risk. Those conditions were:-

- (i) That the land for the specified Transport Hub site is secured;
- (ii) That the final total project costs are in line with the estimate supplied by South Tyneside Council in November 2016 *or* that additional costs are met by non-LGF funding streams sourced by South Tyneside Council;
- (iii) That where the LGF funding released in the Stage 1 grant funding agreement is used in place of other matching funding; the displaced match funding is used to finance later phases of the Transport Hub.

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2.3 North Bank Of Tyne (Swans site infrastructure) – Stage 1 approval

2.3.1 The Swans site in Wallsend is a strategic EZ site focused on the marine and offshore industry sectors. The site has previously received funding approval from the North East LEP for a number of phases of remediation and infrastructure work, including a £8m LGF award to support the design and implementation of a scheme to infill the wet berth and improve adjacent land.

2.3.2 During 2016/17, North Tyneside Council concluded the feasibility and technical studies on the wet berth project which set out a revised project budget estimate of £11m, some £3m above previous estimates. Concurrently, the Project Board analysed the latest market demand for the whole site including current business enquiries, which identified that there was still demand for wet berth facilities and live enquiries which meant that there was a more urgent need to invest in other parts of the site. For cost and market reasons a revised investment plan was developed, which involved the prioritisation of LGF resources to support priority investment needs on other parts of the site, including the upgrade of the quay facilities and also dealing with residual abnormal costs such as site clearance and asbestos removal on plot 6.

2.3.3 This report proposes the release of £1.26m of LGF 'Stage 1 funding' to fund £1.4m of design and advance demolition works to enable robust designs and cost estimates to be completed on three prioritised sites and also to complete the remediation of plot 6 as a priority investment to help secure current market interest.

2.3.4 The Council is requesting that the £7.8m balance of LGF grant is allocated towards four priority work elements at the Swans site:

- a) Centre for Innovation (CFI) Phase 2 – refurbishment of the upper three floors of the CFI creating 1,107m² of modern office floorspace.
- b) CFI Phase 3 enabling – demolition of office blocks & adjoining temporary buildings to form a development site for new office space (1,500m²) next to the Centre for Innovation.
- c) Completing asbestos removal and demolition of the basement on Plot 6. (Building on previous investment in the preparation of this site and access improvements through Regional Growth Fund (RGF) Growing Places Fund (GPF).
- d) Quayside improvements – physical works to steelwork and concrete slabs to upgrade the loading capacity of the three loadout quays (Steel, East and West Quays) to industry standards. Helping to safeguard over 100 jobs through providing low cost load out facilities for existing local businesses.

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2.3.5 Progress with the quay laydown area enabling works and further quay surveys and feasibility will give confidence to current users that progress is being made to upgrade the quay to meet future industry requirements as well as providing the detailed design and costing information needed to complete the final business case.

2.3.6 The Stage 1 project costs proposed to be funded as a Stage 1 approval are shown in Table 1 below, with costs of £1.4m and a 90% LGF grant contribution of £1.26m.

Table 1 Swans Infrastructure Investment Plan –Stage 1

Cost Elements	2016-17	2017-18	Total
Swans Business Centre Phase 2 – survey work and feasibility fees	-	£80,000	£80,000
Swans Business Centre Phase 3 enabling – survey work and feasibility fees	-	£80,000	£80,000
Basement (Plot 6) – asbestos removal and demolition works	-	£500,000	£500,000
Quay laydown area overslabbing – enabling works and feasibility fees	-	£380,000	£380,000
Quay infrastructure improvements – surveys and feasibility fees	£240,000	£120,000	£260,000
Total Cost	£240,000	£1,160,000	£1,400,000
Funding			
Local Growth Fund	216,000	£1,044,000	£1,260,000
Council Contribution	24,000	£116,000	£140,000
TOTAL	£240,000	£1,160,000	£1,400,000

2.3.7 The economic benefits will be fully set out in the stage 2 business plan. These will include targets associated with:

- Jobs created and safeguarded.
- Follow on investment
- Sqm of commercial development
- Ha of land improved / remediated.

2.3.8 A staged funding approach to supporting the revised investment plan is considered the most appropriate next step given the need to achieve greater cost certainty to complete the full business case. The rationale for the changed investment priorities across the site is well supported by evidence of demand from prospective end users. In addition, a recent draft report commissioned by NECA and prepared by WSP consultants examining the marine and offshore

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sector markets and the readiness of various development sites in the NECA area supports the Council's investment priorities.

2.4 Enterprise Zone Advance Approvals

2.4.1 At the LEP Board in January, approval was given to £1.417m of advance highway access work to the Newcastle International Airport Enterprise zone site and an additional £3.5m for the Sunderland A19 Hillthorn Farm Enterprise Zone – Site 3 Highway Works and Land Remediation. Both schemes are in line with the Enterprise Zone indicative capital programme and will be funded by business rate receipts. The funding arrangements and state aid arrangements are considered to be satisfactory. The NECA Leadership Board is asked to approve the completion of the funding agreements for these projects.

2.4.2 In January, both the NECA Leadership Board and the North East LEP Board agreed the potential for up to £2m advance Enterprise Zone works to be funded temporarily by Local Growth Fund grant and then by business rate income, with further information being provided at this meeting. So far two requests have been received ranging from £75k to £250k for both round 1 and 2 Enterprise Zone sites, with support from Economic Directors for a Programme approval in order to accelerate the development of all of the Enterprise Zone sites. It is anticipated that spending in year current year is likely to be around £0.2m with the balance to be spent in 2017/18. It is recommended that a block programme of £2m be approved; with approval of amounts for individual sites of up to £0.25m delegated to the Head of Paid Service, in consultation with the NECA Chief Finance Officer and the Monitoring Officer, and also with the Chair of the LEP Investment Panel.

2.5 The Go Ultra Low North East Programme

2.5.1 In January 2016, the NECA secured £1.53m of funding following a bid to the Office for Low Emission Vehicles (OLEV) for interventions focused on increasing the uptake of electric vehicles in the region. NECA has since secured (in principle) additional funding of £1.5m through a bid to the European Regional Development Fund (submitted in September 2016 following Leadership Board approval), of which the OLEV funding forms direct match. The overall programme is badged as 'Go Ultra Low North East' in line with OLEV's national programme and includes the design, implementation and operating model refinement for two electric vehicle rapid charge 'filling stations', a number of smaller rapid charging 'clusters', and other interventions focused on business engagement, communications and local supply market technology innovation.

2.5.2 The Leadership Board also gave delegated authority to the NECA Head of Paid Service in consultation with the Chair, Executive Lead for Transport, Chief

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Finance Officer and Monitoring Officer to submit each bid and accept the funding. Partnership working with Newcastle University on ultra-low emission vehicles has identified related funding of £1.3m from Newcastle University's UKCRIC (UK Collaboratorium for Research into Cities) investment source for a rapid charge filling station on the Science Central site in Newcastle. Although this funding and the ownership of the Go Ultra Low Filling Station will remain the responsibility of the University, this will form part of the overall Go Ultra Low Programme.

2.5.3 The Programme is funded through three main sources:

- £1.53m awarded to NECA from the Office for Low Emission Vehicles;
- £1.5m awarded in principle from the European Regional Development Fund which is processed via the Department of Communities and Local Government;
- £1.3m awarded to Newcastle University.

2.5.4 The main deliverables of the programme will cover:

- Construction of two Go Ultra Low (GUL) filling stations (one to be wholly owned by Newcastle University);
- Revenue to manage the project;
- Up to eight clusters of 2 or 3 rapid chargers across the NECA area in places of demonstrable demand;
- Innovation accelerator work to encourage local SMEs to contribute to the Electric Vehicle(EV) development opportunities: and
- Work with businesses to encourage use of the EV charging network and cut their business travel carbon footprint; and
- The development of options for an operating model beyond the life of the project for the GUL NE chargers and for the wider existing regional infrastructure.

Grant Conditions for the ERDF Funding

2.5.5 The Grant Funding from Department for Communities and Local Government (DCLG) which deals with the European Regional Development Fund (ERDF) is conditional upon:-

- a. NECA evidencing that it has secured planning permission for the proposed works within 6 months of the Grant Funding offer Letter (20 February 2017) in relation to the Rapid Charging Points (20 August 2017) and within 12 months of the Grant Funding Offer Letter for the EV Filling Station (20 February 2018).

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- b. In addition the Grant Funding is conditional upon the NECA providing DCLG with a copy of the Lease agreement to be entered into with the land owner where the EV charging station is proposed to be situated and the rapid charging points. The land for the EV Filling Station is held in private ownership however it is anticipated that the rapid charging points will be installed on land held by the local authorities.
 - c. During the project inception meeting, the provision of an updated procurement plan.
- 2.5.6 Prior to the submission of an ERDF claim for drawdown of the Funding, NECA must provide to DCLG with:
- Detailed plans and costs for the design, construction and operation of the Electric Vehicle filling station in Sunderland and the 8 rapid charging clusters which are to be situated throughout the NECA area in accordance with demand;
 - Details of the data and research activity;
 - SME innovation accelerator;
 - SME business engagement;
 - Marketing activity;
 - Further detail of the award criteria, systems and processes to be used.
- 2.5.7 The Leadership Board is asked to agree that delegated authority be given to the Head of Paid Service in consultation with the Lead Chief Executive for Transport, Chief Finance Officer and the Monitoring Officer to take all appropriate steps to implement the Go Ultra Low North East Programme (subject to any agreed variations to the conditions) and that subsequently the Monitoring Officer be authorised to negotiate and complete the associated funding agreement(s) and all other relevant legal documentation.

3 Next Steps

- 3.1 Subject to confirmation of the approvals detailed in this report, grant funding agreements will be developed and issued by the NECA to project promoting organisations to allow delivery of the relevant phases of specified projects in accordance with funding conditions, milestones and project business cases.
- 3.2 The LEP Board will receive an update on the progress with the LGF programme at its meeting on 23rd March. If the LEP Board agrees any further changes to the LGF programme in order to maximise the use of LGF Grant in 2016/17, it is proposed that the approval of the NECA Leadership Board be sought under urgent delegated decision arrangements.

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4 Potential Impact on Objectives

- 4.1 The timely delivery of projects within the Local Growth Fund Programme and Enterprise Zone will positively contribute to the delivery of the objectives of the regional Strategic Economic Plan for the North East and Local Transport Plans, as well as those of individual local authorities' Local Plans.

5 Finance and Other Resources

- 5.1 The proposed approvals of the LGF funding for Northern Access Corridor; South Shields Transport Hub; and the North Bank of Tyne (Swans) infrastructure works are within their existing budget allocations. Funding for Enterprise Zone projects is in line with this programme. The Go Ultra Low programme involves three sources of funding as set out in the report. A key issue is satisfying the conditions of the grants.

6 Legal

- 6.1 NECA, as Accountable Body for the NELEP enters into funding agreements with the recipients of Local Growth Funding. The agreements reflect the requirements and obligations of the funding providers including the need to fully comply with provisions relating to State aid. The recipients of the funding will be required to enter into funding agreements and any associated legal documentation before the release of the proposed LGF funding.
- 6.2 In relation to the Go Ultra Low North East Programme NECA will ensure that any agreements, including funding agreements, reflect the requirements and obligations of the funding providers including the need to fully comply with provisions relating to State aid, planning permission and entering into appropriate leasehold arrangements.

7 Other Considerations

7.1 Consultation/Community Engagement

- 7.1.1 Stakeholders and affected frontagers, tenants and landowners have been consulted as part of the development of individual project business cases.

7.2 Human Rights

- 7.2.1 There are no specific human rights implications of this report.

7.3 Equalities and Diversity

- 7.3.1 Equality matters have been considered within the consultation, design and business case development of each individual project detailed in this report.

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7.4 Risk Management

7.4.1 Risks associated with project delivery have been considered through the development of individual project business cases. As this report seeks approvals to release Local Growth Fund to projects that have yet to finalise their full business cases, specific clauses concerning the claw back of a percentages of claimed LGF under the circumstances of non-delivery of the defined projects will be entered into each grant funding agreement.

7.4.2 A risk assessment has been carried out in respect of the Go Ultra Low programme and the following risks potential and mitigating factors have been identified.

Programme Risks	Mitigation
Unable to find a design, build, operator for filling stations and operator	Early market engagement has identified that there are companies which have expressed a keen interest in bidding.
ERDF Compliance	An officer who has extensive knowledge and experience in delivering ERDF projects will act as a “critical friend” to ensure all deliverables are compliant with ERDF rules and regulations
Budget Overrun	Procurement for the filling stations and the rapid charging clusters will be a fixed price contract.
Low demand for filling station and cluster hubs	The revenue risk of operation lies with the operator.
Lease of land is not agreed	Early discussions with the land agents at the site location in Sunderland have been productive and have been extremely receptive to our outline plans. They are keen to begin formal negotiations.
State Aid implications	A state aid statement has been produced, indicating no issues.

7.5 Crime and Disorder

7.5.1 There are no specific crime and disorder considerations arising from the contents and recommendations of this report.

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7.6 Environment and Sustainability

7.6.1 Environmental and sustainability considerations have been addressed on an individual project basis through the development of each project's business case, and where necessary, in project-specific Environmental Impact Assessments.

8 Background Documents

- 8.1 * Northern Access Corridor Full Business Case;
* South Shields Transport Hub, Business Case Development Statement;
* Go Ultra Low Grant Offer letter;
* Funding Update Report to the North East LEP Board 26th January 2017.

9 Links to the Local Transport Plans

9.1 Each project's business case has been developed within the context of the current Local Transport Plan for the Tyne & Wear.

10 Appendices

None

11 Contact Officers

11.1 Paul Woods, Chief Finance Officer, paul.woods@northeastca.gov.uk
Tel: 07446936840

12 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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