

Cabinet

Thursday 26 September 2019 at 2.00 pm

Meeting to be held: Linskill Centre, Linskill Terrace, North Shields, Tyne and Wear, NE30 2AY

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SUPPLEMENTAL AGENDA

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Subject: Investment Fund Update

Report of: Interim Director of Inclusive Economy, North of Tyne Combined Authority

Portfolio: Economic Growth

Report Summary

The purpose of this report is to update Cabinet Members on investment decisions and make further decisions on the allocation of funding.

Recommendations

The Cabinet is recommended to:

1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of project development around our priority sectors.
2. Note progress to date on the Local Full Fibre Programme and next steps which include: establishing governance arrangements, appointing a programme manager and initiating the procurement exercise.
3. Agree £2.6m to support the Newcastle United Foundation's NU Futures project.
4. Authorise the Interim Head of Paid Service to finalise the conditions to be attached to the above funding award and authorise the Interim Monitoring Officer to complete the necessary documentation.

1. Background Information, Proposals and Timetable for Implementation

1.1 Background

Over the last 6 months, considerable progress has been made across the Investment Fund programme. To date £11.5m of Investment funds has been committed against 19 projects and programmes. This report will provide an overview of progress to date as well as a forward look at upcoming milestones and priorities for the fund.

Following the successful bid to DCMS for £12m of investment, activity on delivering the Local Full Fibre programme has commenced. The report includes an update on progress and outlines the next stages.

The report also includes a request for funding from the Newcastle United Foundation. The Newcastle United Foundation first approached NTCA in April 2019 with a proposal for the NU Futures project. Over the subsequent months NTCA officers have worked with the organisation to further develop the project, which consists of both a capital and revenue element, to ensure the outcomes align with the NTCA vision and will deliver best value for money. This report sets out the project proposal and request from the North of Tyne Investment Fund.

1.2 Investment Fund – progress to date and future work

The NTCA Investment Fund is progressing at pace. Since the Investment Plan was agreed by Cabinet in March 19, which sets out investment priorities for the first £100m, the Combined Authority has achieved:

- commitment of £11.5m of investment funds,
- attracting £64.4m of private sector leverage,
- a forecast of 1050 jobs to be created over the next 5 years.

Delivery has commenced for the first STEM and Digital skills projects; Kielder Observatory and Woodhorn Charitable Trust. School visits are in the process of being confirmed, supported by the educational leads in the constituent authorities and NTCA officers. Project initiation visits for the Digital Catapult and NUSTEM projects have also taken place with delivery to start imminently. Overall it is expected 50,000 children and young people will engage with the schemes over the next 3 years.

The £3m Inward Investment Fund is due to be launched in October. Inward investment teams across the 3 authorities will play a key role over the next 3 years as the gateway for funding applications.

In July, Cabinet agreed to submit a full application for ERDF funding to deliver the North of Tyne Growth Fund, providing advice and grant support to SMEs. The project is currently in appraisal with MHCLG and a funding decision is expected shortly; subject to a positive outcome from this appraisal, a request for approval of the Grant Funding agreement is planned for the October Cabinet meeting. The

North of Tyne Rural Growth Fund, delivered by Northumberland County Council, is also expecting to hear the outcome of their ERDF soon. Together the two projects will provide SME business support coverage across the North of Tyne.

The Inclusive Economy Innovation Fund is also gaining impetus, a call for applications for the Employability and Skills Fund (phase 1) went live on the 9th September, with communications activity taking place throughout the month. A delivery plan is now in place for the Returnships programme, recruitment of key project staff will take place in the Autumn to enable delivery to commence early in the new year.

NTCA has been working with industry representatives, complemented by expert advice to review the following sectors outlined as a priority in our vision; Digital, Culture and Creative, Ageing, Green Economy, Energy and Sub-sea, Tourism and Events. The purpose of this work is to identify strengths, highlight opportunities and advise where intervention from the combined authority can best add value and enable growth. This work will shape the pipeline for future investments.

1.3 Local Full Fibre

On the 4th June 2019, Cabinet were informed that NTCA had been successful in securing £12m of investment from Government, paving the way for a rollout of fibre internet connections to public buildings across the region, drastically improving the speed and reliability of digital connections across the entire area. The funding from Department of Culture, Media and Sport (DCMS) is focused on the region's rural areas which have received less investment from the private sector broadband providers and will complement a wider NTCA Digital Infrastructure Programme. Cabinet welcomed the award of the funding from DCMS for the Northumberland Gigabit Project and agreed that that NTCA should enter the Local Full Fibre Network programme assurance process.

The Northumberland Gigabit Project is currently progressing through the DCMS assurance process, and it is expected to pass the first assurance gate in September and the second in early October. In parallel officers are working closely with DCMS on the creation of their new procurement framework, which will be the procurement route to be utilised for both the Northumberland Gigabit Project and the Urban Gigabit Project. The new framework is expected to launch in September 2019, with a procurement exercise commencing in October 2019. It is anticipated that NTCA will be in a position to award contracts, subject to passing the 3rd DCMS assurance gate, before the end of the calendar year, with deployment of the resulting full fibre infrastructure commencing in early 2020.

An interim Programme Manager is in place to finalise a full business case application to the Investment Fund contribution to support delivery of the NTCA Digital Infrastructure Programme. In order to simplify delivery of the two projects within the overall Digital Infrastructure Programme, it is proposed that the capital build of the infrastructure will be procured and managed by a NTCA programme delivery team, with the resulting full fibre infrastructure then handed over to the respective Local Authorities to allow them to then move services over to the new infrastructure.

It is proposed that programme governance to oversee delivery of the Northumberland Gigabit Project and the Urban Gigabit Project should include:

- a Steering Group to ensure the programme is aligned with the NTCA pillars of ambition and is delivering the strategic outcomes of the Combined Authority and of each constituent Local Authority and
- a Programme Board to manage the delivery of the entire Digital Infrastructure Programme

Membership of the groups and frequency of meetings to fit with the timescale of DCMS funded elements will be confirmed in due course.

1.4 Newcastle United Futures

Proposal Name	Newcastle United Futures
Lead Organisation	Newcastle United Foundation
Delivery Areas	North of Tyne
Timescales	June 2019 – March 2024
Project Value	£11,473,870
Grant / Loan amount requested	£2,600,000 (capital and revenue) of NTCA Investment Fund

The Newcastle United (NU) Futures project comprises two elements:

- a new build learning facility (the NU Futures Centre) developed on the site of the former Murray House Community Centre (near St James' Park in Newcastle and owned by the Newcastle United Foundation); and
- a delivery programme of activities (the NU Futures programme) which will educate young people across the North of Tyne area about future careers in the local economy and develop work skills and aptitudes.

The NU Futures Centre will provide specialist digital facilities and resources that enable young people to learn about key employment sectors and job opportunities, and to practice their skills in simulated and virtual work environments. It will comprise:

- An interactive and immersive careers advice experience.
- Four digital learning suites.
- England's first 'Newton Room' (or a similar specialist STEM classroom), promoting STEM education and careers.
- Delivery of a wide range of other programmes, including sports, leisure and health & wellbeing activities, amongst others.

The NU Futures Centre will link to a network of outreach centres in venues across the North of Tyne area, enabling NU Futures to engage young people in the most excluded and disadvantaged communities across Newcastle, North Tyneside and

Northumberland. A request is made for £2m of capital funds to pay for the elements of the building directly linked to the outreach activities and delivery of the NU Futures revenue activity. As the NU Futures programme becomes established and develops further, NTCA will also investigate the potential for additional capital funding to be made available for enhancing outreach facilities across the North of Tyne area to support the delivery of this programme and other NTCA programmes. Such funding would be linked to supporting people into sustained employment and any proposal would be subject to NTCA's evaluation as outlined in the assurance framework.

Linked to the centre, £600,000 is also requested to deliver the initial revenue costs for the NU Futures Programme. This will be built around four stages of activity:

- **Engagement** – using the NUFC brand to reach out to young people, particularly targeting those who are disengaged or disadvantaged. This will be through a variety of sporting and other activities.
- **NU Careers** - an interactive programme promoting the North of Tyne area as a great place to live, grow up, and build a career.
- **NE1 Works** – the Foundation's existing skills development programme, which supports disadvantaged young people aged 16-25 to develop the skills and attributes they need to progress and succeed in the world of work.
- **Next Steps** – supporting young people in moving on to whatever is right for them, be it completing statutory education, progressing into further training/ education or going directly into a job.

In combination, the Centre and the Programme are designed to offer young people aged 11-25 in the North of Tyne area, learning provision and employment support that will engage and inspire them. As such, it seeks to bridge a gap between education provision from which some of these young people have become (or were previously) disengaged and current/future employment opportunities. There is a particular emphasis on young people who face disadvantage and specific barriers to employment.

Funding

	Capital	Revenue	Total
NTCA Funding			
Grant	£2,000,000	£600,000	£2,600,000
Total:	£2,000,000	£600,000	£2,600,000
Other Contributions:			
Private sector contributions	£3,972,659		£3,972,659
Other Public funding	£1,000,000		£1,000,000
Other funding (charitable grants etc.)		£3,901,211	£3,901,211
Own cash reserves			
Total Project Cost:	£6,972,659	£4,501,211	£11,473,870

The funding requested from North of Tyne CA represents 22.7% of project costs.

In addition to the request from North of Tyne a further £1m funding gap exists for the capital elements. The inclusion of a funding condition is recommended to ensure all match is in place prior to the North of Tyne funds being drawn down.

Outputs

Outputs to be delivered comprise of:

- From Year 3; 11,600 young people will be engaged each year, including 5,800 young people participating in careers and skills development programmes.
- 240 businesses engaged and supported in careers and skills development projects with young people.
- 56 schools engaged and supported in careers and skills programme
- 49 direct new FTE jobs will be created over the 10-year life of the programme.

In addition, the project will deliver the following outcomes and impacts:

- 83 new apprenticeship/traineeship opportunities created each year
- 820 young people achieving NVQ Level 1 and 2 qualifications each year.
- 200 disadvantaged young people supported into a job each year.
- 80 young people progressing to NVQ Level 3 or above each year
- Increase in % of 11 to 16-year olds progressing into further education at the end of Key Stage 4.
- Increase in % of 16-18-year-olds sustaining their progression in FE / level 3 skills.
- Increase in employment rate among 18 to 25-year olds in North of Tyne area.
- Social return on investment of £16.97m per annum.

A full appraisal was undertaken on the project, this considered the project to meet the required criteria scoring particularly strongly in the inclusive economy case.

Next steps

The Investment Panel recommends to Cabinet that the funding requests for the Newcastle United Futures project is approved subject to the following funding conditions:

1. Funding is conditional on the confirmation of all match funding.
2. Confirmation from the Newcastle United Foundation of formal referral mechanisms they have or will be agreed (e.g. MOUs or agreed protocols) to ensure complementarity other support provision.
3. A copy of the contract with the capital works provider to be shared with NTCA.
4. A delivery plan setting out further detail on the revenue programme of activity to be to be developed and agreed by officers at NTCA. This will used to monitor programme delivery in targeted areas and alignment with the priorities of the Mayor and Cabinet.
5. External state aid advice to be provided to NTCA.
6. Further detail on the timing and scope of the proposed evaluation to be provided to NTCA.

2. Potential Impact on Objectives

- 2.1 The projects identified in the report are consistent with the priorities set out in the NTCA vision.

3. Key Risks

- 3.1 Risks associated with the funding application have been considered as part of the application and appraisal process. As required conditions associated with funding agreements have been included.

4. Financial and Other Resources Implications

- 4.1 The overall impact on the use of the Investment Fund arising from the approval recommended in this report are as outlined below:

	2019/20	2020/21	2021/22	2022/23	2023/24	Total (£)
NU Futures	50,000	1,400,000	750,000	200,000	200,000	2,600,000
Total	50,000	1,400,000	750,000	200,000	200,000	2,600,000

5. Legal Implications

5.1 The Interim Monitoring Officer's comments have been included in this report.

6. Consultation/Engagement

6.1 Applicants and stakeholders have been fully engaged in the development of funding applications and project proposals.

7. Appendices

7.1 No appendices

8. Background Papers

8.1 The background papers are confidential because they contain business/financial information.

9. Contact Officers

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10. Glossary

10.1

ERDF	European Regional Development Fund
MHCLG	Ministry of Housing, Communities and Local Government
SME	Small and Medium-sized Enterprise
STEM	Science, Technology, Engineering and Maths
DCMS	Department for Culture, Media and Sport

11. Sign-off

11.1 Interim Head of Paid Service: Yes

Interim Monitoring Officer: Yes

Interim Chief Finance Officer: Yes