

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**1ST OCTOBER 2009**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

**REGENERATION & TRANSPORT – LEAD CABINET MEMBER COUNCILLOR R COOK**

#### **TEES VALLEY REGENERATION SUCCESSION ARRANGEMENTS**

1. Summary

Tees Valley Regeneration (TVR) is to be wound up as a company by the end of March 2010. This report outlines the proposals for the continuation of that work in regeneration and Inward Investment post March 2010.

2. Recommendations

That Members note:

1. Progress and proposals for succession arrangements for Tees Valley Regeneration post March 2010.

3. Reasons for the Recommendations/Decision(s)

1. To create more effective arrangements for driving forward the delivery of complex physical regeneration projects and business investment in the Tees Valley, to boost the sustainable development of the City Region in line with the Tees Valley Multi-Area Agreement and with the five Sustainable Community Strategies;
2. To reflect the new arrangements previously agreed for Tees Valley Unlimited;
3. To create efficiencies, greater clarity and improved accountability by bringing functions together under Tees Valley Unlimited.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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**CABINET DECISION**

**TEES VALLEY REGENERATION SUCCESSION ARRANGEMENTS**

**SUMMARY**

TVR was set up as a limited life company to achieve certain objectives. The TVR shareholders have indicated that TVR has been successful in working towards its objectives and that now is an appropriate time to integrate work more closely within that of Tees Valley Unlimited. The objectives of this review are to improve both effectiveness and efficiency: to improve the delivery of regeneration in the Tees Valley, by better integration of all regeneration-related work through Tees Valley Unlimited; to accelerate and improve the quality of the delivery of physical regeneration schemes across Tees Valley; to rationalise administrative overheads.

In order to maintain the momentum to date, and create greater synergies: It is proposed to move the TVR Business Investment and Marketing Team into the Tees Valley Unlimited arrangements. Detailed arrangements for the integration of this team with other joint Tees Valley teams would be brought forward subsequently as part of a more general review of joint arrangements.

It is proposed to create a new Tees Valley Unlimited Delivery Team, to take forward not just the existing TVR regeneration projects but also to drive forward, and further raise the standard of, major complex physical regeneration projects more generally across the Tees Valley.

The costs of winding up TVR and of the new arrangements can be met within the current funding envelope for TVR, with costs reduced from 2010/11 as a result of the efficiencies of integrating TVR work with other work and of efficiencies in costs currently incurred by TVR.

**RECOMMENDATION**

That Members note :

1. Progress and proposals for succession arrangements for Tees Valley Regeneration post March 2010.

**INTRODUCTION**

**Background**

1. TVR was set up as a limited-life company in 2002, to carry out specific tasks. Its main role initially was to progress major regeneration projects: Central Park, Darlington, North Shore, Stockton, Middlehaven, Middlesbrough, Victoria Harbour, Hartlepool, development around Durham Tees Valley Airport, and the Tees Valley Metro. After its establishment, the Tees Valley Inward Investment Team was transferred to be part of TVR.

2. The shareholders in TVR are the five Tees Valley Borough Councils, the Homes and Communities Agency (HCA) (formerly English Partnerships) and One NorthEast (ONE).
3. TVR has made good progress in teeing up the major regeneration projects for which it is responsible. The shareholders feel that now is therefore an appropriate time to look at future arrangement for handling complex physical regeneration projects in the Tees Valley which can not only take forward the current TVR projects but also have a broader influence in driving forward and raising the standard of regeneration schemes throughout the Tees Valley.
4. Furthermore, the other Tees Valley joint arrangements have progressed substantially since TVR was set up. With the establishment of Tees Valley Unlimited (TVU) and the Multi Area Agreement, there are new arrangements for establishing future programmes of projects and funding. It will be more effective if all the Tees Valley joint arrangements can be brought together to work collaboratively on driving forward programmes agreed between the Borough Councils, ONE and HCA.
5. Officers from the Borough Councils, ONE, HCA, TVR and the Tees Valley Joint Strategy Unit have agreed in principle proposals for taking forward the activities for which TVR are currently responsible. These proposals integrate those activities more closely into other TVU work and aim to create more efficient and effective ways of working. The proposals were agreed by the Tees Valley Unlimited Leadership Board on 9 September, subject to funding.

### **Objectives**

6. The objectives of succession arrangements are to improve both effectiveness and efficiency of regeneration and economic development in the Tees Valley:
  - a) To build on the principles of the Tees Valley Multi-Area Agreement and the City Region Forerunner bid;
  - b) To integrate the work currently being carried out by TVR more closely into other regeneration and economic development work being carried out across Tees Valley Unlimited and through the borough councils, thereby to create greater added value from the arrangements;
  - c) To build on the successes of TVR, including retaining and building on the strong ethos of good relationships with and understanding of private sector companies and developers;
  - d) To create leading edge expertise on complex physical regeneration projects available to a wider range of projects across the Tees Valley, and to share expertise and experience across projects;
  - e) To accelerate the delivery, and enhance the quality, of physical regeneration schemes across the Tees Valley;
  - f) To improve clarity and accountability to the funders for the delivery of projects;
  - g) To gain financial efficiencies.

### **Proposed New Arrangements**

7. In March 2009 Cabinet agreed proposals for future governance of regeneration funding and projects in the Tees Valley, through Tees Valley Unlimited. These involved:

- a) a joint board between the City Region, the Homes and Communities Agency and the Regional Development Agency (One NorthEast) to provide strategic direction of housing, economic development and regeneration spending; and
- b) joint investment planning with key partners, including greater flexibility over capital funding to support the more effective programme management of projects. TVU would initially wish to pursue a single capital programme (the Tees Valley Investment Plan) with a long term funding commitment (on the 3+2 years principle) and in the medium term real delegation of funding (i.e. local approval of projects within the investment plan, subject to national government financial limits).

8. TVR currently has two principal functions:

- a) A Regeneration Team responsible for progressing the limited number of major regeneration schemes.
- b) A Business Investment and Marketing Team responsible for handling inward investment enquiries to the Tees Valley, for liaising on behalf of partners with business at a City Region scale and for marketing the Tees Valley to business and investors.

The proposed continuation plans for these functions is as follows:-

### ***Delivery Team***

9. The proposal is to replace the existing TVR Regeneration function with a TVU Delivery Team which has broader responsibilities for Tees Valley complex physical regeneration projects in future: i.e. major complex physical regeneration projects funded by ONE, HCA, local authorities and DfT through the proposed integrated TVU Investment Plan. 'Complex regeneration projects' should be read as including physical regeneration projects, whether they are for economic, housing or transport objectives.
10. A Director of Delivery would manage a small specialist team providing high level skills necessary for complex physical regeneration projects which cannot be provided in individual local authorities, to drive forward the implementation of the projects within the Investment Plan. The Team would lead directly some projects and would provide specialist advice on others. The Director would also act as a project sponsor.
11. Each project will continue to have its own project board, as at present, responsible for directing the project, involving the relevant local authority(ies) and the funding partner(s). Formal decisions which are the responsibility of local authorities will continue to be taken by local authorities through normal processes.
12. The TVU Delivery Team would be employed by Stockton Borough Council (as the accountable body) on behalf of the five Borough Councils, HCA and ONE.
13. The Delivery Team would be expected to appoint people with a range of leading edge skills which will be defined by projects needs, and gaps in current availability, thereby aiming to reduce the need for use of consultants.
14. The proposals have the following benefits:
  - They give clearer accountability. The Director of Delivery will be directly accountable to the major funding partners in the TVU Programme Group. The project executive for each project is accountable to the Director of Delivery; in turn the project executive controls the whole of the wider team involved in the project.
  - They retain the strengths of TVR, including the strong understanding of private sector needs and focus on delivery.

- They allow the employment within the central Delivery Team of people with specialist skills who can raise the game of regeneration within the Tees Valley (whereas at the moment TVR employs mainly generic project directors/managers).
- They enable these specialist skills to be available to advise a much wider range of projects, again raising the quality of regeneration across the Tees Valley.
- They recognise that the project teams working on complex regeneration projects are much broader than the central team: they give the Director of Delivery and project executives clearer and direct access to the wide range of LA and other staff involved. This cuts out duplication and creates efficiencies. It also improves the effectiveness by embedding the project executives more in the much broader range of related activity in LAs. This will avoid any isolation which could be the case for TVR.
- By bringing all Tees Valley staff under the umbrella of TVU, the proposals create efficiencies, for example by putting all programme control in one team.

### **Business Team**

15. TVR's Business Investment and Marketing Team would transfer into TVU, and would be employed by Stockton Borough Council (as the accountable body) on behalf of the five Borough Councils.
16. A wider review of the Tees Valley joint arrangements will look at the synergies and efficiencies that can be obtained by integrating the work of the team more closely with other functions. By bringing all Tees Valley staff under the umbrella of TVU, the proposals improve effectiveness and create efficiencies, for example by sharing marketing skill/strategies or business/economic intelligence across TVU teams.

### **Costs of Winding Up TVR and Transferring Functions**

17. Estimated costs of winding up the company TVR Ltd are currently £170,000 which will leave an estimated cash reserve balance of £118,000 as at end of March 2010
18. One outstanding issue relates to the residual liability relating to TVR staff pensions. Although no new members of staff in TVR have been permitted to join the final salary Local Government Pension Scheme (LGPS) since October 2007, it is likely there will be a residual liability for deferred pensioners as at 31<sup>st</sup> March 2010.
19. To ensure that Stockton, as the employing authority, is not disadvantaged by the transfer it may be necessary to make a one-off contribution to the Teesside Pension Fund from the residual balances held by TVR at 31<sup>st</sup> March 2010. Advice is being taken from the administrators and actuaries of the Teesside Pension Fund on how to assess the pension liability that may remain with TVR at 31<sup>st</sup> March 2010.

### **Future Arrangements Funding**

20. It is proposed that funding of the future structures will be shared similarly to current arrangements between the 5 local authorities, HCA and One North East.
21. A number of assumptions are built into the financial evaluation to date which indicate that additional savings are likely to be achieved for example timing of recruitment to new posts.
22. In summary, the costs of winding up TVR and of the new arrangements can be met within the current funding envelope for TVR, with costs reduced in 2010-11 as a result of the efficiencies of integrating TVR work with other work and of efficiencies in costs currently incurred by TVR. It is expected that further efficiencies can be achieved through a wider review of TVU functions to integrate work across TVU more closely.

## **FINANCIAL IMPLICATIONS**

23. The proposed new arrangements can be met within the current funding available to support TVR's work.

## **LEGAL IMPLICATIONS**

24. The winding up of TVR, and the transition to the new arrangements being established for taking TVR's work forward, give rise to a range of potential legal, governance and information management implications for the successor organisations.
25. The winding up process itself is being managed by external lawyers (Dickinson Dees) instructed by TVR.
26. A legal sub-group has been established comprising officers from each of the Tees Valley Local Authorities. The sub-group is overseeing audits of TVR regarding information and records and legal issues, rights and liabilities. In addition assessments are being made of the legal documentation relating to the projects (other than Metro). To date no issues of concern have arisen. Any project management implications for existing TVR projects are being discussed with the relevant local authority Regeneration Teams and will draw to the attention of TVR and the appropriate Project Boards.
27. This work is ongoing and designed to highlight any potential responsibilities, liabilities or other implications for the relevant local authorities and for the projects themselves.
28. The legal sub-group is also working closely with the other sub-groups which have been established to consider employee matters and accommodation/property issues. As a result of legal advice received, it has been confirmed that TUPE will apply to the transfer and transition process.

## **RISK ASSESSMENT**

29. A risk register has been maintained throughout the review process and the proposals in the report seek to take this into account where practicable.

## **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

30. Economic Regeneration and Transport, and Environment and Housing core themes

## **EQUALITY IMPACT ASSESSMENT**

31. This report itself is not subject to an Equality Impact Assessment (EIA).

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

32. Previous reports and progress regarding the Multi Area Agreement and the City Region Pilot has been the subject of consultation with Members, including discussions at a Members' seminar and policy update sessions. The proposals referred to in this report have also been discussed with Members and Officers across the Tees Valley and with the key partners involved.

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Background Papers

Cabinet Report - Pre-Budget Report: Devolving Responsibilities to City Regions – 5.2.09  
Cabinet Report - Tees Valley Multi-Area Agreement – 22.5.08

Ward(s) and Ward Councillors

Not Ward specific

Property

N/A