

AGENDA ITEM

REPORT TO CABINET

13 JULY 2023

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

**Lead Cabinet Member – Councillor Robert Cook
Regeneration and Housing – Lead Cabinet Member – Councillor Nigel Cooke**

INDIGENOUS GROWTH FUND UPDATE

SUMMARY

The report provides Cabinet with an update on the Indigenous Growth Fund (IGF) Strategic Initiatives Programme including progress to date, changes in the economic market, and proposed programme reprofiling to stimulate inward investment, support inclusive growth, and be a catalyst for job creation across the borough using the IGF that the Tees Valley Combined Authority (TVCA) has allocated to the Council.

REASONS FOR RECOMMENDATION(S)/DECISION(S)

To provide Members with an update on the Tees Valley Indigenous Growth Fund (IGF) and an overview of the proposed reprofiled IGF Strategic Initiatives Programme.

RECOMMENDATIONS

1. Cabinet approve the reprofiled IGF Strategic Initiatives Programme at table 2 and note the allocation of resources from the Indigenous Growth Fund.
2. Cabinet delegate authority to the Director of Finance, Development and Regeneration and Deputy Chief Executive in consultation with the Leader of the Council and Cabinet Member for Regeneration and Housing for expenditure of the initiative's defined in the programme.
3. Cabinet delegate to the Director of Finance, Development and Regeneration and Deputy Chief Executive in consultation with the Leader of the Council and Cabinet Member for Regeneration and Housing the authority to amend the value of individual initiatives within the overall scope of the total IGF allocation to meet future market demand.

DETAIL

Background

1. The TVCA Investment Plan allocated £50m to the IGF, a programme developed to support the Strategic Economic Plan objective to develop 'Place' through area regeneration in support of economic growth. The IGF will be used to sustain, support and enhance these critical economic assets, allowing the Borough to continue to be a major contributor to the region's economy.

2. In January 2020, Cabinet approved the acquisition of the remaining undeveloped employment land at Durham Lane Industrial Park at Market Value and noted that the allocation of resources from the IGF will be considered as part of the Council's MTFP by full Council. The MTFP report from February 2020 incorporated the IGF within the capital programme and agreed that any allocation would be reported through Cabinet.
3. In January 2021, Cabinet approved the IGF Strategic Initiatives Programme which sought to promote inward investment, unlock employment land, support existing business growth, and be a catalyst for economic growth and job creation across the borough.
4. This was proposed to be driven primarily by a branded inward investment strategy which will actively promote all investment sites across the borough both publicly and privately owned. The brand would provide a front facing tool for potential investors whilst enabling access to key information and contacts for existing businesses to engage with alongside the Employment and Training Hub.
5. The proposed intervention programme also sought to support business growth and inward investment through the delivery of infrastructure schemes and the acquisition of key sites. This could include road improvements to increase capacity and unlock employment land for development, or the strategic acquisition of derelict land or buildings to enable existing business to expand.
6. The programme proposed to provide support to the borough's small and medium enterprise businesses via a Business Growth Fund. Existing business are able to apply for the fund to help them grow their business or implement innovative ways of working in response to the coronavirus pandemic.
7. Specific schemes will be identified and will be based on robust evidence to support the intervention. The values attached to each initiative are approximate only and that an agreement of financial variance between activities across the programme will be considered by the Director of Finance, Development and Regeneration and Deputy Chief Executive in consultation with the Leader of the Council and the Cabinet Member for Regeneration & Housing.

Progress to date

Initiative 01: Key sites acquisition and investment

8. SBC purchased vacant employment land at Durham Lane Industrial Estate in July 2021 to safeguard strategically important employment land.
9. Commissioned numerous site surveys and an options appraisal in order to better understand the sites opportunities and constraints; essentially completing due diligence to make the site more attractive to a developer.
10. Supported the extension of Cleasby Way and the development of the new car park which will serve Eaglescliffe Railway Station.
11. Appointed Knight Frank as land agents with the site currently marketed on behalf of the Council to procure a developer to bring the site forward.

Initiative 02: Key sites infrastructure delivery

12. Design fees incurred for potential junction improvements at Cheltenham Road/ Portrack Lane to release capacity in the highway network and unlock 37 acres of strategic employment land at Dynamo Park, Cheltenham Road. This is a privately owned site.

13. During the planning process and detailed traffic modelling undertaken by the applicant it was established that junction improvements would not be required to mitigate increased traffic flow and the employment land could be 'unlocked' without IGF investment and therefore the funding in this strand can be released for other projects.

Initiative 03: Inward Investment Strategy

14. "Since the "soft launch" of the Invest Stockton-on-Tees brand in July 2021 the focus of the Invest Stockton-on-Tees campaign has been brand awareness which sign-posted audiences to the Invest Stockton-on-Tees microsite for more information. The full website was launched in July 2022 and is available to view [here](#).
15. Brand awareness has been provided across various marketing media including within Tees Business, This is Tees Valley, Business Works and Business Works Guide publications. Beyond this; radio, billboard and bus advertising has also been undertaken. The Invest Stockton-on-Tees brand also has LinkedIn (633 followers) and Twitter (1,115 followers) platforms, with 10,020 impressions and 305 interactions on LinkedIn, and 11,100 impressions and 234 engagements on Twitter over the last 3 months.
16. This brand awareness will be continuing alongside development of the Invest website through use of 'good news' articles and marketing of our strategic sites.

Initiative 04: Business Growth Fund

17. To date funding has supported 4 businesses in the Borough providing match funding to overall project costs (total project costs £666,699 invested into the area) and 9 jobs have been created. The businesses have been located in two of our strategic business locations (Durham Lane and Preston Farm Industrial Estate) and within our priority sectors (manufacturing, logistics and financial sectors).
18. The Economic Development Team are currently engaging with a number of businesses on grant applications and targeted marketing of the fund will be undertaken using the Invest Stockton-on-Tees website.
19. There is no other funding available locally to support business growth therefore it is anticipated there will be an increase in applications (TVCA Business Growth Scheme has now ceased).

TABLE 1 - SPEND TO DATE

| Cabinet Approved IGF Programme | | | |
|---|--------------------|-------------------|-------------------|
| IGF Initiative | Initiative Value | Spend to date | Remaining |
| 01: Key Sites Acquisition and Investment | £6,000,000 | £3,026,033 | £2,973,967 |
| 02: Key Sites Infrastructure Delivery | £3,000,000 | £14,733 | £2,985,267 |
| 03: Inward Investment Strategy | £500,000 | £162,816 | £337,184 |
| 04: Business Growth Fund | £500,000 | £161,528 | £338,472 |
| Total: | £10,000,000 | £3,365,110 | £6,634,890 |

Changes in market/strategic sites

20. In their Investment Plan the TVCA have added an additional £2m to SBC's initial £10m allocation creating a total IGF allocation available to the Council of £12m. In light of this additional allocation and a number of required shifts in the previously agreed programme a re-profiled programme is proposed.
21. The proposed re-profiled programme will continue to support business growth and inward investment through the delivery of infrastructure schemes and the acquisition of key sites. It will promote inward investment, unlock employment land, support existing business growth, and be a catalyst for economic growth and job creation across the borough.
22. It is proposed to expand the criteria of the Business Support Growth Fund to allow the Council to support a broader range of businesses, particularly those in our key large sectors (250+ employees) not just small and medium enterprise businesses as previously approved. It is understood that given the rise in energy and inflation costs experienced over the last year, that many SME's are concentrating on consolidating their existing offer and therefore there is little appetite for exploring growth opportunities at this moment in time.
23. The need for this is even more essential now given that TVCA have abruptly stopped their business support grants. The proposed amendment will offer Grants of up to 50%* towards project costs and also be available for large businesses looking to grow their business or implement innovative ways of working to enhance sustainability and productivity. Projects must create new jobs (minimum 5) and promote economic output.

*Grant amount will be based no. of jobs created

IGF - Proposed re-profiled programme

24. Allocation of £3.9m spread evenly from initiatives 01 and 02 towards funding infrastructure at Durham Lane Industrial Estate. This is essential to unlocking the land for inward investment working in partnership with a preferred developer. This then leaves £1m in initiative 01 for specific site acquisitions.
25. Re-allocation of £0.5m from initiative 02 into initiative 04: Business Growth Fund. This along with amendments to the criteria is in response to market changes that will allow us to support a broader range of businesses, particularly those in our key large sectors.
26. Proposal to move £0.5m from initiative 02 into a newly established initiative called '05: Regeneration Investment' and combine with the additional £2m from TVCA. This strand will support emerging regeneration opportunities with specific projects yet to be defined.
27. The revised programme is summarised in the table below.

TABLE 2 – REVISED IGF PROGRAMME

| Revised IGF Programme | | | |
|---|----------------------|-------------------|---|
| IGF Initiative | Revised Value | Remaining | Projects |
| 01: Key Sites Acquisition and Investment | £6,000,000 | £2,973,967 | £1m - Site Acquisitions £1.95m - Durham Lane Infrastructure |
| 02: Key Sites Infrastructure Delivery | £2,000,000 | £1,985,267 | £1.95m - Durham Lane Infrastructure (£0.5m moved to 04: Business Growth Fund and £0.5m moved to 05: Regeneration Investment) |
| 03: Inward Investment Strategy | £500,000 | £337,184 | Continued spend to support Inward Investment |
| 04: Business Growth Fund | £1,000,000 | £838,472 | Revised criteria to match current market |
| 05: Regeneration Investment | £2,500,000 | £2,500,000 | To be agreed Including additional £2m allocation |
| Total: | £12,000,000 | £8,634,890 | |

Added Benefits through Economic and Social Value

28. The activities that may be generated by the IGF Strategic Initiatives Programme not only ensures we support inward investment in strategically important employment land, it also will allow the Council to realise additional economic value as a result of job generation and social value embedded in our approach to procurement.
29. The Council is committed to maximising the impact of its public expenditure for the benefit of the local economy, the environment and wider society and communities, and this is being delivered through embedding strong Social Value policies through the procurement process. Social Value is an ability to determine and measure what is created as added value through a contracts and commissioning processes, considering more than just the financial transaction but what added benefits we wish to achieve.

COMMUNITY IMPACT IMPLICATIONS

30. The proposals in this report cover a wide range of initiatives, which will potentially have numerous community impacts including, amongst others, employment, retail, transport and environment. As the proposals are further developed a Community Impact Assessment will be undertaken.

CORPORATE PARENTING IMPLICATIONS

31. This report does not contain corporate parenting implications.

FINANCIAL IMPLICATIONS

32. The activities set out in the IGF Strategic Initiatives Programme will be fully funded through the TVCA Indigenous Growth Fund allocation. The original £10m allocation is already within the approved Capital Programme and, subject to Cabinet approval the remaining £2m will also be incorporated.

LEGAL IMPLICATIONS

33. The proposals in this report cover a wide range of initiatives, which will potentially have numerous legal implications including, land valuation, land acquisition, and legal title checks. As the proposals are further developed and come forward, legal advice will be sought and the necessary due diligence undertaken.
34. The Council will also undertake necessary due diligence as part of the planning process.

RISK ASSESSMENT

35. This Indigenous Growth Fund Update report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.
36. As individual proposals are further developed and come forward, the necessary risk assessments and due diligence will be undertaken.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

37. Leader of the Council – Councillor Robert Cook and Cabinet Member for Regeneration and Housing – Councillor Nigel Cooke.

BACKGROUND PAPERS

38. Cabinet Report: Indigenous Growth Fund Update - 23rd January 2020.
39. Cabinet Report: Indigenous Growth Fund Update – 12th January 2021.

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