

## Tees Valley Combined Authority Cabinet Agenda

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Date: Monday, 14<sup>th</sup> May, 2018 at 9:00

Venue: Cavendish House, Teesdale Business Park, Stockton-on-Tees,  
TS17 6QY

### **Membership:**

Mayor Ben Houchen (Tees Valley Mayor)  
Mayor David Budd (Mayor of Middlesbrough)  
Councillor Bill Dixon (Leader of Darlington Borough Council)  
Councillor Christopher Akers-Belcher (Leader of Hartlepool Borough Council)  
Councillor Sue Jeffrey (Leader of Redcar and Cleveland Borough Council)  
Councillor Bob Cook (Leader of Stockton-on-Tees Borough Council)  
Paul Booth (Chair of Tees Valley Local Enterprise Partnership)

### **Associate Membership:**

Darren Hankey (Member of Tees Valley Local Enterprise Partnership)  
Professor Paul Croney (Member of Tees Valley Local Enterprise Partnership)  
Jerry Hopkinson (Member of Tees Valley Local Enterprise Partnership)  
Angela Howey (Member of Tees Valley Local Enterprise Partnership)  
Mike Matthews (Member of Tees Valley Local Enterprise Partnership)  
Siobhan McArdle (Member of Tees Valley Local Enterprise Partnership)  
Nigel Perry (Member of Tees Valley Local Enterprise Partnership)  
David Soley (Member of Tees Valley Local Enterprise Partnership)  
Albert Pattison (Member of Tees Valley Local Enterprise Partnership)  
Graham Robb (Member of Tees Valley Local Enterprise Partnership)

## **AGENDA**

- 1. Resolution to Exclude the Press and Public**
- 2. Apologies for absence**
- 3. Declarations of Interest**
- 4. Durham Tees Valley Airport**
  - i. Update on developments in relation to Durham Tees Valley Airport**

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**ii. Establishment of an air connectivity facility**

Attached

**5. Date of next Meeting**

Friday 1<sup>st</sup> June 10.00

**Members of the Public - Rights to Attend Meeting**

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers. Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Sarah Brackenborough, 01642 524423 or [sarah.brackenborough@teesvalley-ca.gov.uk](mailto:sarah.brackenborough@teesvalley-ca.gov.uk).

## **Teess Valley Combined Authority Declaration of Interests Procedures**

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the [Combined Authority's Constitution](#) under the "Code of Conduct for Members" (Appendix 8).

### **Personal Interests**

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
  - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
    - i. a member of your family;
    - ii. any person with whom you have a close association;
    - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
    - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
    - v. any body as described in paragraph 3 b) i) and ii) below.
  - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
    - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
    - ii. any body which:
      - exercises functions of a public nature;
      - is directed to charitable purposes;
      - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

### **Declarations of interest relating to the Councils' commercial role**

4. The five Councils are constituent authorities of the Combined Authority, integrated within its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

### **Procedures for Declaring Interests**

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

#### **Register of Interests**

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

#### **Declaration of Interests at Meetings**

7. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before

leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

**Sensitive Information**

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

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## **AGENDA ITEM 4**

### **REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET**

**14 MAY 2018**

### **REPORT OF THE MANAGING DIRECTOR**

### **PORTFOLIO: INVESTMENT**

## **ESTABLISHMENT OF AN AIR CONNECTIVITY FACILITY**

### **SUMMARY**

The purpose of this Report is to seek approval to establish an Air Connectivity Facility to support links between the Tees Valley and key national and international destinations.

### **RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:-

- i. approves the establishment of an Air Connectivity Facility on the basis outlined in this Report;
- ii. approves an initial allocation of up to £1,000,000 (one million) of Combined Authority funding over 3 years; and
- iii. delegates the operation of the Air Connectivity Facility, and the finalisation of any funding or loan agreements made from the Facility, to the Mayor and Cabinet Member for Transport; on advice from the Managing Director and the Finance Director, in line with the legal constraints and objectives set out in this Report.

### **Background Information**

1. The Combined Authority is committed to securing a sustainable future for Durham Tees Valley Airport, enhancing its contribution to economic growth, supporting connectivity to international markets and attracting inward investment. This is reflected in its role within the Strategic Economic Plan, and forthcoming Transport Plan. A continuation of the decline of the airport's role over the last 10 years represents a significant risk to local economic growth, given the importance of business connectivity as a factor in location decisions, and to sustain important links between Tees Valley businesses and their markets.

2. A special cabinet meeting was held on 22<sup>nd</sup> February to discuss Durham Tees Valley Airport at which it was agreed that Officers would consider the scope for a facility to support route development.
3. At that meeting it was noted that there is a rationale for public sector support for route development. Although ultimately any route would need to be commercially viable, the public sector can help establish new routes by reducing the upfront risks faced by airlines. In principle this can secure wider economic and social benefit, by improving the connectivity for businesses, encouraging international links, and enhancing the attractiveness of the region for tourism and inward investment.
4. It was further noted that the government has previously operated such a scheme, although DTVA was unable to benefit from it. State Aid regulations place significant restrictions on the operation of public support schemes, set out in the “legal implications” section below.

### **Specific Route Development Proposals**

5. The specific details of the Air Connectivity Facility and how it would operate are attached at Annexe A to this Report. In summary, however, the Combined Authority would operate the scheme in full compliance with the Assurance Framework agreed with Government as part of the Devolution Deal as it does with all other investment applications. This includes an assessment of each business case submitted to the Air Connectivity Facility to ensure value for money and transparency.

### **FINANCIAL IMPLICATIONS**

6. The Air Connectivity Fund would initially be established with an initial funding pot of £1,000,000 (one million) over a 3 year period which would be subject to review depending on demand and the level of successful investment applications. Any further funding made available to the Air Connectivity Facility would be subject to further cabinet approval. As an amendment to the budget, Members set aside an allocation of £500k for 2018-19 to support proposals for route development. While state aid considerations mean that the specific proposition from DTVA cannot be supported in the manner proposed, the objectives behind the proposal can instead be considered through the Facility described in this paper. It’s therefore proposed that the £500k budget allocation be used to initiate the Facility, with a further £500k set aside for 2019-21 to establish a multi-year approach.
7. The proposed fund would allow the Combined Authority to provide funds both by way of loan as well as grant depending upon the circumstances, so we may be able to recover a percentage of its investment over time.

### **LEGAL IMPLICATIONS**

8. As noted above, any proposal for this type of facility needs to be compliant with state aid legislation. External legal advice has been sought to confirm that the details of the Air Connectivity Facility as attached at Annexe A are state aid compliant while passenger figures remain below 200,000 per annum. Passenger numbers were 140,902 in 2015, falling to 132,369 in 2016. Passenger numbers for 2017 are yet to be confirmed.
9. The Air Connectivity Facility would need to be operated in strict compliance with the principles set out in Annexe A which regard to the level of funding which could be provided. The operation of the Air Connectivity Facility would also need to be revised immediately on passenger numbers reaching 200,000.



## **RISK ASSESSMENT**

10. Assuming that the Air Connectivity Facility was operated in strict compliance with the principles set out in Annexe A, any risks associated with the granting of unlawful state aid should be removed.
11. In addition, assessing applications to the Air Connectivity Facility in accordance with the Assurance Framework should minimise the risk associated with the decision to invest. An appropriate level of due diligence shall be conducted to ensure that the business cases which come forward are viable.
12. The greater economic risk would be to fail to intervene to assist in the continuing decline of Durham Tees Valley Airport by setting up such a facility, given the link between international connectivity and economic performance.

## **CONSULTATION**

13. Cabinet were consulted informally about the concept of a facility to support route development on 22<sup>nd</sup> February 2018.

**Name of Contact Officer: Andrew Lewis**

**Post Title: Managing Director**

**Telephone Number: 01642 527091**

**Email Address: [andrew.lewis@teesvalley-ca.gov.uk](mailto:andrew.lewis@teesvalley-ca.gov.uk)**

## Annex A - AIR CONNECTIVITY FACILITY

Tees Valley Combined Authority is seeking to further develop the international connectivity of the Tees Valley region in order to support its economic development and the operation of its airport.

An initial Air Connectivity funding pot of £1 million has been established to support routes from Durham Tees Valley Airport to Europe over the next 3 years. The level of financial commitment to this Facility shall be reviewed as required based on performance.

The Combined Authority invites Expressions of Interest from flight operators who may require financial assistance in order to successfully establish or maintain flights from Durham Tees Valley Airport.

Bidders who are successful at Expression of Interest stage shall be asked to work up a Business Case with support and assistance from the Combined Authority. The Business Case will identify:-

- if, and to what extent, the Bidder's proposal requires funding from the Air Connectivity Facility; and
- what type of funding would be most appropriate in the circumstances.

The preferred funding route shall be by way of loan funding but the Combined Authority may be prepared to offer grant funding where the Business Case identifies this as a requirement.

The amount of funding given in each case shall not exceed what is necessary to cover any operating losses and a reasonable profit over an agreed fixed period of time.

Priority shall be given to routes to European hub airports which offer connecting flights across the world, given the greater economic development potential of such routes. The Expression of Interest (EOI) form can be accessed here [\[insert link\]](#). There is no closing date for submission of EOIs. Applications to the Air Connectivity Facility shall be accepted as they come forward until further notice.

*"There is a strong evidence base on the role of international aviation in supporting economic development. Aviation is an essential part of what makes modern developed economies work. Flows of trade, investment, people and knowledge are growing as the world's economies become more entwined and reliant upon one another..."*

*International connectivity can impact on the economy through its effect on:*

- *Foreign Direct Investment;*
- *Trade;*
- *Tourism;*
- *Labour Market;*
- *Agglomeration effects.*

*In combination, all of these factors contribute to improving productivity and delivering improved economic performance."*

**May 2018**