

**AGENDA ITEM 3**

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

**16 FEBRUARY 2018**

**REPORT OF THE  
MANAGING DIRECTOR**

**PORTFOLIO: INVESTMENT**

**BUDGET 2018/19 AND INVESTMENT PLAN**

**SUMMARY**

This paper sets out the basis on which Cabinet should consider an amendment to the Combined Authority's Budget, proposed at the Cabinet meeting on 5<sup>th</sup> February and agreed by the Cabinet Members for the Constituent Authorities (excluding the Mayor). Under our constitution and the statutory arrangements for Combined Authorities, the Cabinet is reconvened on 16<sup>th</sup> February to further consider the Amendment, and to take into account the views expressed by the Mayor on this matter. This is the only amendment that can now be considered at this meeting, and the Budget is otherwise approved.

The Mayor's view is that the amendment should not be supported, and his reasons are set out in this paper. Nevertheless, under the statutory arrangements the amendment can be agreed by a majority of Cabinet Members from the Constituent Authorities, excluding the Mayor. Associate Members are invited to express views, but have no vote.

This paper also summarises the response to other issues raised by Members during the discussion of the Budget at Cabinet.

**RECOMMENDATIONS**

It is recommended that Members appointed by the Constituent Councils consider the Budget Amendment set out in paragraph 2, in the light of the views expressed by the Tees Valley Mayor and the advice of officers set out in this paper, and vote on whether to either approve or withdraw that Amendment.

**DETAIL**

1. On 5<sup>th</sup> February Cabinet considered an amendment to the Combined Authority's Budget, proposed by Cllr Jeffrey. Following discussion, the amendment was supported by the five Cabinet Members appointed by the constituent authorities, who

are the only Members entitled to vote on this matter. The proposal amendment was approved as follows:

*That given the lack of any new plan for Durham Tees Valley Airport and the resulting risk to Local Authority investment in the airport that, in line with the Combined Authority/Durham Tees Valley Airport development proposal set out in March 2017, the CA agree that the £0.5m funding for legal and financial assessments set out in paragraph 28 support proposals made by Peel Holdings in their letter of 2<sup>nd</sup> February 2018 for route support, marketing and enhanced airport services. That this arrangement be progressed with utmost priority to support Peel Holdings in securing the viability of the airport post 2021.*

3. The Combined Authorities (Finance) Order 2017 sets out the basis on which Budget amendments should now be considered, and these provisions are also reflected in the Combined Authority's Constitution. The Mayor is required to respond to the Amendment at least 5 working days after receipt of the proposed amendment, and his response is set out in paragraph 7 below.
4. The Amendment refers to a proposal received by the Mayor on February 2<sup>nd</sup> from the Chair of Durham Tees Valley Airport, to allocate £425,000 to support route development and improvements to retail facilities at Durham Tees Valley Airport. DTVA have confirmed to us that the detail of the proposal is commercially confidential, and has therefore been circulated to Members separately. In summary, it proposes:
  - Support to enable additional tour operations in the summer season
  - Marketing support to increase demand for existing routes
  - Market support to establish new routes; and
  - Capital investment to establish a confectionary, tobacco and news duty free outlet.
5. At the meeting on 5<sup>th</sup> February, the Monitoring Officer responded to a number of questions from Members about the proposed Amendment. He advised that the proposed Amendment would, if passed, set aside financial resources to accommodate the proposal from Durham Tees Valley Airport. Specific project approval would, however, be subject to further analysis by officers, and the due diligence process. A decision on the project would then be subject to the normal decision-making arrangements for the Combined Authority, which require support by both the Mayor and a majority of Cabinet members.
6. It was further noted that a special Cabinet meeting was being established to consider the wider issues around the future of Durham Tees Valley Airport, and that the Overview and Scrutiny Committee had also proposed a further discussion. In discussion, a number of Members argued that all future options for the Airport should be investigated by the Combined Authority, and it was confirmed that the Amendment did not seek to restrict the ability of Combined Authority officers to properly assess the financial and legal implications of different options which might be considered by Cabinet in due course.

## **The Mayor's Response to the Proposed Budget Amendment**

7. As required by the Combined Authority's Constitution, the Mayor has considered the Amendment proposed at paragraph 2. He is required, within at least 5 working days of the 5<sup>th</sup> February meeting, to either: reject the amendment, accept it, or propose an alternative.
8. The Mayor has confirmed the view he expressed at the 5<sup>th</sup> February meeting as follows:
  - He affirms the commitment that Durham Tees Valley Airport should have a strong and sustainable future, and make a stronger contribution to the future economic growth of the Tees Valley.
  - He believes that this is best secured through proposals to bring Durham Tees Valley Airport back under public ownership, and will continue to progress with the necessary work, under delegated arrangements, for officers and external financial and legal experts to develop this option in advance of consideration by Cabinet.
  - He is disappointed that the proposal from Durham Tees Valley Airport was submitted on the Friday before the Combined Authority's Budget meeting on the following Monday, and that it is therefore not appropriate for Cabinet to commit resources without analysis of the proposal.
  - His view is that Peel Holdings should first demonstrate that they have plans for the re-investment of resources secured from housing development at the Airport site, before requesting financial support from the taxpayer.
  - He notes that proposals for the Combined Authority to support the growth of Durham Tees Valley Airport can already be accommodated within the proposed Budget without the need for Amendment, through uncommitted allocations to transport and infrastructure set aside under the agreed Investment Plan.
  - He notes the position set out in paragraph 1, but wishes to make clear that;
    - the Amendment is not necessary to achieve the Leaders' aims;
    - any project to utilise the proposed sum set out in the Amendment can only be agreed if the Mayor supports it;
    - and that by virtue of the above, the Mayor can veto any project presented to Cabinet for consideration.
9. Given this position, the Mayor continues to oppose the Amendment.

## **Other matters discussed in connection with the Budget**

10. A number of other matters were raised during the Cabinet meeting.
11. The Monitoring Officer advised that separate proposals put forward to amend the arrangements for delegated decisions were not covered by the special decision-making arrangements in place for Budget arrangements, and the Combined Authority's normal decision-making arrangements applied. As a result, the Mayor was entitled to vote to oppose these proposals. Under paragraph 26 of the Combined Authority's Constitution, the proposals were therefore neither approved nor rejected, and the existing delegation arrangements previously set by Cabinet continue to apply.
11. In response to other queries raised by Members in connection with the Budget:

- The Managing Director confirmed that the Combined Authority was working closely with Hartlepool Council to establish a future for the Hartlepool Nuclear Power Station. Work to explore future options is currently underway through the development fund, and the proposed Budget would accommodate any further work that might be necessary.
- The Managing Director confirmed that the Budget specifically referenced the proposal to bid for Capital of Culture 2025, and that resources were set aside within the Combined Authority's Investment Plan for cultural investment. Cabinet would have the opportunity to take stock of the overall culture and tourism programme at a forthcoming Cabinet meeting.
- Members requested further information on the proposed increase in core costs to accommodate new responsibilities, and the degree to which these were specifically funded by additional resources from central government. This information is outlined in appendix A.
- In response to a query about the reference in the Pay Policy Statement to the re-employment of former employees on non-employment contracts, the Managing Director provided assurance that there had be no such cases, and would only apply in exceptional circumstances. He confirmed that, if the situation did arise Cabinet members would be consulted, and any such arrangement would not progress without their support. The pay policy statement has been amended accordingly.

12. No Budget Amendments were proposed in relation to these matters.

### **FINANCIAL IMPLICATIONS**

13. This report sets the budget for the Combined Authority.

### **LEGAL IMPLICATIONS**

14. As a Mayoral Combined Authority we are legally required to set a budget for the coming financial year and a Medium Term Financial Plan covering the coming financial year and the three years thereafter. Under our constitution, we are also required to have an Investment Plan.

### **RISK ASSESSMENT**

15. This Budget is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

### **CONSULTATION**

16. Consultation was undertaken with the public and key stakeholders from 24th November 2017 to 5 January 2018. The Overview and Scrutiny Committee have undertaken their Task and Finish Group process during the consultation period.

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