

**AGENDA ITEM 8****REPORT TO TEES VALLEY  
COMBINED AUTHORITY CABINET****31 JANUARY 2019****REPORT OF THE OVERVIEW AND SCRUTINY COMMITTEE  
FINANCE AND RESOURCES SUB-COMMITTEE****OVERVIEW & SCRUTINY COMMITTEE BUDGET CONSULTATION REPORT****SUMMARY**

The Combined Authority is required to set out its Budget on an annual basis, and to consult publicly before this Budget receives final approval by Cabinet.

The Overview and Scrutiny Committee convened a Finance and Resources sub-committee - made up of the committee's Vice-Chair and four other full members - to scrutinise on the draft Budget in more detail, conduct a full analysis of the draft documents and contribute to the consultation process.

This report details the findings of the sub-committee and their final consultation response to the Cabinet.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Note the process undertaken by Overview and Scrutiny Committee Finance and Resources Sub-committee to scrutinise the budget;
- ii. Note the report of the Overview & Scrutiny Committee (attached at Appendix 1).

**DETAIL**

1. The Overview & Scrutiny Committee agreed at its meeting of 13<sup>th</sup> September 2018 to establish a standing Finance and Resources Sub-committee in order to focus on Combined Authority budget arrangements in detail, and to report back to the main Committee.
2. This sub-committee is chaired by Councillor Ian Haszeldine (Darlington Borough Council) Vice-chair of the full committee. The other members of the group are Councillor Philip Thomson (Redcar and Cleveland Borough Council) Councillor Heather Scott (Darlington Borough Council), Councillor Matthew Storey (Middlesbrough Borough Council) and Councillor Derrick Brown (Stockton Borough Council).

3. The task and finish group met on Monday 6<sup>th</sup> December 2018, after being provided with the draft Budget upon its publication on Friday 23<sup>rd</sup> November 2018. At this meeting they were able to question the Head of Finance and Resources and Finance Manager on the proposed budget.
4. The sub-committee subsequently reported back to full committee at its meeting of Thursday 6<sup>th</sup> December. As a result, a list of the questions was submitted for response by the Head of Finance and Resources for answer at a further sub-committee meeting on Tuesday 11<sup>th</sup> December.
5. Following these meetings the members of the sub-committee agreed that they were satisfied with the responses given and now felt they had a good understanding of the budget.
6. A report from the sub-committee was drafted for presentation at the meeting of the Overview & Scrutiny Committee on 17<sup>th</sup> January 2019. At this meeting, the full committee were able to review the findings of the sub-committee and put forward any final questions to the Chief Executive.
7. The Committee had a particular interest in the following topics:
  - The relationship between the Combined Authority annual budget and its Investment Plan, and in particular the proposed acquisition of Durham Tees Valley Airport
  - The impact on the future funding of Combined Authority activities following the United Kingdom's exit from the European Union.
  - Business Rate retention in Special Enterprise Zones and its potential negative impact upon the individual budgets of constituent councils of the Combined Authority.
  - The impact on available investment resources of the scheduled withdrawal of the Mayoral Capacity Fund in 2019-20.
8. The Committee's report and a full list of questions posed by members and officer responses is attached in Appendix 1.

### **FINANCIAL IMPLICATIONS**

9. The final published report will set the budget for the Combined Authority.

### **LEGAL IMPLICATIONS**

10. 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**

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

## **CONSULTATION**

12. Consultation was undertaken with the public and key stakeholders for a period from 30<sup>th</sup> November 2018 to 6th January 2019.

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## **Appendix 1:**

### **Response to Draft Budget: Tees Valley Combined Authority Overview and Scrutiny Committee**

The Finance and Resources Sub-Committee, acting with the authority of the Combined Authority Overview and Scrutiny Committee, are satisfied with the information provided by officers and are content to ratify the budget proposals.

Whilst concluding that this budget should be supported members would like to place on record the following observations and intentions:

- The sub-committee accepts that the Budget appropriately allocates the available resources to deliver on the strategic priorities of the Tees Valley Combined Authority, but perceives the need for more comprehensive member oversight of specific investment decisions to be undertaken as the Combined Authority's output scales up. Members agreed with the recommendation of officers that the completion of Combined Authority's ongoing prioritisation exercise would be the most appropriate time to commence this work.
- Members also recognised a need for more overview and scrutiny to be undertaken of the delivery and outputs of specific live Combined Authority programmes – for example the Routes to Work programme - in particular with regards to job creation.
- The sub-committee received assurances from officers that the costs of the proposed acquisition of Durham Tees Valley Airport could be met from existing investment resources – but note the potential burden on limited Combined Authority investment resources of investments of this scale, in particular given the operating and other ongoing costs associated with the ownership.
- Members are extremely concerned about a lack of clarity from HM Government relating to the replacement of European Funding allocated to the Tees Valley Combined Authority following the United Kingdom's exit from the European Union and a lack of detail forthcoming with regards to the proposed UK Shared Prosperity Fund.
- Members expressed some concern that HM Government had also not provided a commitment to extend provision of the £1m Mayoral Capacity Fund after 2019-20. Although officers clarified that this funding is absorbed into the overall Single Pot, is not controlled by the Mayor and is not used to resource his office, some members questioned the sustainability of the non-imposition of a Mayoral Council Tax precept should this funding be withdrawn.
- Members requested greater clarity about Business Rate retention in Enterprise Zones and Special Enterprise Zones in light of their potential to negatively impact upon Local Authority budgets.

For transparency purposes, the questions asked of officers relating to the budget are detailed below.

## Appendix 2:

### Questions posed to officers by members of the Tees Valley Scrutiny Overview and Scrutiny Committee as part of the 2019-20 Budget Consultation Process.

- 1. How will funding received from the European Regional Development Fund and European Social Fund detailed within the budget be replaced following the United Kingdom's exit from the European Union?**

The government has announced the creation of a UK Shared Prosperity Fund to replace European funding for economic development projects, but no further details have been provided at this time.

- 2. Have any investments been made by the Tees Valley Combined Authority in partnership with the Tees Valley Pension Fund?**

No investments of this nature have been made.

- 3. Why is no reference made in the Budget to the acquisition of Durham Tees Valley Airport? And are resources available to purchase the airport – including operating costs?**

At this stage this investment is only at the proposal stage, and the budget refers only to investments formally approved by Cabinet. A minimum of £95m remains available for single pot investment within in the planned period.

- 4. Will the delay of the 2019 Local Government Finance Settlement impact on this budget?**

We do not anticipate any impact on Combined Authority resources.

- 5. What is the nature the £1m Mayoral Capacity Fund detailed in the budget papers? Is this money utilised to run the Mayor's office or available to spend by the Mayor?**

The Mayoral Combined Authority Capacity Fund is absorbed into the Combined Authority Single Pot for investment and to support running costs. It is not a separate budget controlled by the Mayor.

- 6. Can officers please provide members with further with details Tees Valley Enterprise Zones and Special Enterprise Zones, in particular relating to the retention of business rates, and confirm whether or not they could negatively impact on Local Authority budgets.**

A thorough briefing on this subject will be added to the Committee Forward Plan.

- 7. Can TVCA running costs as agreed in the 2018-19 Budget be provided for comparison with those detailed in this year's proposed budget?**

Proposed running costs are unchanged year-on-year. Budget papers will be amended to make this explicit.

- 8. Can further details of investment returns achieved by TVCA Treasury Management be provided to members?**

These have been circulated to members.