



4 January 2019

Mr B Houchen
Tees Valley Mayor
Tees Valley Combined Authority
Cavendish House
Teesdale Business Park
Stockton-on-Tees
TS17 6QY

Dear Mr Houchen

Tees Valley Combined Authority Budget for 2019/20

Thank you for your letter dated 30 November 2018 regarding the consultation on the proposed budget for 2019/20.

Having considered the report enclosed with your letter, we write collectively to ask you to note our concern that various significant matters which are likely to have budgetary implications do not appear to have been factored into the proposals. In particular, we note that the proposals do not make reference to the investment plan and the implications of potential expenditure of significant levels for matters currently under advanced negotiations - such as the purchase and operational running costs of Durham Tees Valley Airport, Tata land acquisition and the SSI land acquisition. It seems likely that any of these purchases will bring potential ongoing operational revenue costs (for example, maintenance of the assets) and, given that draft local authority budgets would normally include assumptions about forecasted expenditure for matters which are anticipated to proceed within the next financial year and the medium term, it seems unusual to us that this is not the case within your report. We are also concerned that funding allocated to school improvement has so far not been spent, which will also impact on the budget.

In light of the above, if the TVCA Cabinet is to be in a position to approve the budget and investment plan in January 2019, then we would ask that the final budget report to be presented reflects these issues so that there is full clarity about the implications for revenue and capital expenditure, and that the Section 151 Officer can have confidence that all relevant spending has been considered and is fully transparent.

We look forward to these concerns being addressed in due course and trust that a revised report will be produced in advance of the meeting to approve the budget taking place, so that there is a reasonable period of time allowed for these issues to be properly considered by all concerned.

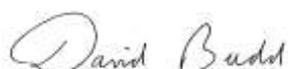
Yours sincerely



Cllr Stephen Harker, Leader
Darlington Borough Council



Cllr Christopher Akers-Belcher, Leader
Hartlepool Borough Council



David Budd, Elected Mayor
Middlesbrough Council



Cllr Sue Jeffrey, Leader
Redcar & Cleveland Borough Council



Cllr Bob Cook, Leader
Stockton-on-Tees Borough Council

Alex Cunningham MP

Member of Parliament for Stockton North



Ben Houchen
Tees Valley Mayor
Tees Valley Combined Authority,
Cavendish House, Teesdale Business Park,
Stockton-On-Tees,
Tees Valley, TS17 6QY

Friday, 03 January 2019

Dear Ben,

Consultation on Combined Authority Budget

Thank you for proving the opportunity to comment and ask questions about your recently published draft Budget.

It is good to see the ambition of the Tees Valley Devolution Deal negotiated by the five Local Authorities start to materialise and I look forward to seeing the Combined Authority continuing to maximise the value from the funds available for the benefit of all the people of the Tees Valley.

I would personally welcome even greater transparency around the budgets and in particular contingency funding for the many projects we all hope will come to fruition particularly around the investment in land, infrastructure and other capital projects, the creation of jobs, the development of the skills agenda, and support for integrated public transport systems.

Whilst the development of the former SSI site through the Development Corporation has to remain key, there appears to be no specific allocation of budget for land purchase, associated infrastructure and incentives to developers to bring new opportunities to the area. I appreciate that the plan remains extremely complicated and perhaps even commercially sensitive but given the Combined Authority's budget is public money, would have hoped to see some clearer financial detail.

I remain concerned that promises from the previous Government around the long term commitment to maintain and remediate the site are fully delivered and that the Authority hold Ministers to them. No-one wants to see those clean up and related costs end up as part of some future deal with the Government with delegated funds that could be either removed or reduced by future Ministers leaving local Council Tax payers with tens of millions of pounds in costs.

Given that there is no budget contingency for picking up these costs in the future, I think a statement within the budget papers ought to make it clear that no-one will negotiate that commitment from Government away.

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Similar issues apply to other projects – though not to the same extent.

Whilst the budget was drafted prior to the very welcome announcement about the proposal for the Tees Valley to be home to the first large scale energy and carbon capture, use and storage project, I would hope the budget would now reflect the need for support to enable this project to go ahead. Government ministers are yet to announce whether or not they will assist in any way but if it is to be a truly devolved decision making process, the Combined Authority need to recognise their role in facilitating which will require substantial resource.

As the project is bound up with the power plant project which appears well backed by private companies and therefore I assume fully funded, the Combined Authority should reflect on the costs they may be able to assist with to support existing energy intensive industrial companies to be part of the CCUS project. I would hope to see this all reflected in the final approved budget.

The project to nationalise the Durham Tees Valley Airport is not reflected in the budget in capital or revenue terms. The absence of a published business plan for the proposal makes it difficult for people excluded from seeing the detail to make any assessment of its viability.

That said, I note that local business leaders have indicated substantial support for the project though find that quite difficult to understand given the absence of a published business plan. They may have, unlike most other people and organisations, been made privy to the financial details and the guarantees made by the proposed operator who I understand will make an announcement soon. I cannot believe that any business people would approve an investment in their own businesses without the financial detail demonstrating beyond all doubt, that the proposals are viable.

It is long overdue for the business plan and budget for the project to be published and reflected in your budget to be approved by the Combined Authority – even if it is just the costs related to the capital required from taxpayers to bring the airport into public ownership.

I would assume there would be resources available to support land purchase, new and replacement infrastructure and perhaps support to encourage greater use of the airport but none of these elements.

I note the state of flux around investment income and that from developments within Enterprise Zone areas. I'd welcome greater detail being included given the predicted downturn in our economy if the UK does finally leave the European Union. Given that this projected income which is needed to realise our shared ambitions for the area, is precarious, what contingences are planned within the budget to recognise this?

The Mayoral Capacity funding of £1 million in each of two years is said to have been absorbed into the Single Pot but no explanation offered about how the money has been and is being

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spent though I assume the Mayor's personal office with political advisers and other support staff take up a considerable slice of that money.

In a letter to me Mr Martin Waters advised that £101,378 funded your own and special adviser's posts omits other costs related to Mayoral activities.

In the interests of transparency the budget ought to reflect not just what those specific staff costs are, but how they are going to be met after the capacity funding runs out at the end of the next financial year.

I know I have concentrated on the areas which I think the Combined Authority needs to provide more detail and transparency on but there are many strands to the rest of the budget and I very much welcome the support programmes for people seeking work, for careers development and countless other things. I do however look forward to a response within the budget process.

As we move into a new year, I hope to see the Combined Authority thrive – but thrive in partnership with everyone around by working collectively together with shared information in a truly transparent organisation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alex Cunningham'.

Alex Cunningham MP

Member of Parliament for Stockton North

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Budget 2019-20 Consultation Comments

Consultation responses received and being considered as part of the final budget report:

Chris Beck, TWI
I remain supportive and exited of what we can achieve, I particularly would like to support point 16 in the budget report.
Zoe Lewis, Middlesbrough College
<p>As a member of the FE+ group of colleges and of the Education, Employment and Skills Partnership Board I would make the following observations:</p> <ul style="list-style-type: none"> • There are a number of initiatives outlined under Education, Employment and Skills Strategy. As a member of the EESPB partnership board, and having put myself and FE colleagues forward as members of sub committees of this Board – which have yet to meet, it would be helpful to progress some of these work stream initiatives which have remained in ‘draft / outline’ for some time. It would also be useful to understand better the criteria against which bids are approved and the process of bidding into some of these innovation funds. It would be great to see TVCA collaborating with the sector to draw on the expertise available to develop in detail the opportunities that ‘devolution’ affords us to ensure that initiatives align with skills demand and skills gaps. • Given the financial fragility of the FE sector at the present time and the heightened competition from both the public and private sector, it is important that new projects and initiatives build upon the current infrastructure and don’t duplicate further, the provision already available. Some historical projects may have inadvertently done so for example the catering academy Redcar, media centre Hartlepool, Art College Middlesbrough, NETA skills centre. • FE+ has suggested a range of potential adult skills flexibilities which would benefit adults and employers alike to make funding available to invest in key skill areas closely aligned to the local jobs market. We would welcome further discussion around these suggestions in order to maximise the benefits of adult skills devolution. <p>In summary, we welcome the strategic approach being taken to secure new inward investment and prioritise future Tees Valley investments and very much look forward to providing help, advice and support wherever appropriate to assist the Combined Authority and ultimately to improve the life chances of our residents in the coming years.</p>
Steve Rose behalf of Catalyst, MVDA, RCVDA, TVRA, VONNE
<p>Firstly, the budget is clear and the breadth of programmes reflects our understanding of the strategic discussions that have taken place over the previous months and years. In other words, there are no surprises in the proposed budget.</p> <p>As you would expect, we have read the proposals very much from a VCSE perspective and so feel duty bound to make the following points:</p> <ol style="list-style-type: none"> 1) We understand that no sector is specifically mentioned in the proposals but the spending intention is, by inference, very much aimed at the public and private sectors. This has been proved over the past year by where the actual spend is going with only minimal success for the VCSE in some areas of work. We know that we are not seen as a priority sector in terms of being an employment or career opportunity, although an apprenticeship programme in the VCSE may be a very good idea, but do hope that we can be more included in access to funds going forward;

- 2) As a sector the VCSE believes that we have a crucial role to play in the Tees Valley, especially in the social renewal of the area. This was discussed at length with the previous managing Director who asked us to formalise our thinking and develop a joint concordat with the Combined Authority. We understand that a formal approach was then not wanted but we do hope that spending plans continue to recognise that community and social renewal is as important as the delivery of public services and the strengthening of the private sector economy. Our role at the various sub-groups of the Combined Authority, which we value, is to highlight this and we hope that spending plans can lay greater emphasis on these areas of work going forward;
- 3) The VCSE, through the infrastructure organisations, have tried to take a lead on some areas of work but have been hampered by matched funding requirements as well as compliance costs, especially in relation to European funds. We hope that access to support and development funds is made possible so the VCSE can participate as leaders of initiatives. The VCSE is not in the fortunate position of the public sector to access matched funding and we hope that this issue can be addressed going forward;
- 4) Finally, we note the allocation of spending to Adult Education and Skills development and hope that the VCSE can continue to be seen as a proactive part of this programme of work. We know there are VCSE organisations uniquely placed to meet the learning needs of the local population and we hope that TVCA will take positive steps to ensure the inclusion of our sector in the future design and development of the new arrangements;
- 5) The VCSE needs to be better sighted on the culture and tourism offers going forward and we will work to provide support and creativity to meet the objectives expressed through this budget in these areas of delivery.