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TEES VALLEY COMBINED AUTHORITY OVERVIEW & SCRUTINY COMMITTEE

Cavendish House, Stockton-On-Tees, TS17 6QY

Thursday 17th January 2019 at 2.30pm

MEETING

ATTENDEES

Members

Cllr Norma Stephenson OBE (Chair)	Stockton on Tees Borough Council	SBC
Cllr Derrick Brown	Stockton on Tees Borough Council	SBC
Cllr Matt Vickers	Stockton on Tees Borough Council	SBC
Cllr Heather Scott OBE	Darlington Borough Council	DBC
Cllr Sonia Kane	Darlington Borough Council	DBC
Cllr Ian Haszeldine	Darlington Borough Council	DBC
Cllr Matthew Storey	Middlesbrough Borough Council	MBC
Cllr Jean Sharrocks	Middlesbrough Borough Council	MBC
Cllr Vic Walkington	Middlesbrough Borough Council	MBC
Cllr Phillip Thomson	Redcar & Cleveland Borough Council	R&CBC
Cllr Glyn Nightingale	Redcar & Cleveland Borough Council	R&CBC
Cllr Neil O'Brien	Redcar & Cleveland Borough Council	R&CBC
Cllr Paddy Brown	Hartlepool Borough Council	HBC

Officers

John Hart	Governance & Scrutiny Officer	TVCA
Julie Gilhespie	Chief Executive	TVCA
Martin Waters	Head of Finance, Resources and Housing	TVCA
Allison Fellows	Investment Director	TVCA
Linda Edworthy	Strategy Director	TVCA
Andrew Nixon	Monitoring Officer	TVCA/R&CBC

Other Attendees

Ben Houchen	Tees Valley Mayor	TVCA
Chris Duggan	Chief of Staff to the Tees Valley Mayor	TVCA
Neal Smith	Head of Communications	TVCA
Craig Peacock	Communications and Marketing Manager	TVCA

OSC 49/18	<p>INTRODUCTION/APOLOGIES FOR ABSENCE</p> <p>The Chair opened the meeting by giving introductions for the benefit of members of the public in attendance.</p> <p>The Chair then welcomed Cllr Paddy Brown, newly-nominated representative of Hartlepool Borough Council. She outlined how following consultation with the Monitoring Officer Cllr Brown was attending despite his appointment not being ratified by the Tees Valley Combined Authority (TVCA) Cabinet, but that he would not participate in any votes if required.</p> <p>No apologies for absence were received.</p>	
OSC 50/18	<p>DECLARATIONS OF INTEREST</p> <p>There were no interests declared.</p>	
OSC 51/18	<p>MINUTES</p> <p>The minutes of the meetings of 6th December 2018 and 20th December 2018 were agreed and signed as a correct record.</p>	
OSC 52/18	<p>ANNOUNCEMENTS FROM THE CHIEF EXECUTIVE</p> <p>Julie Gilhespie, Chief Executive of the Tees Valley Combined Authority, introduced a report outlining significant activities undertaken by the Combined Authority since the last meeting of the Committee.</p> <p>Further to the report presented she briefed members that the proposed purchase of land at the South Tees Development Corporation (STDC) site had now been approved by the SDTC board and would be presented to TVCA Cabinet for ratification.</p> <p>With reference to the item updating members on revised Combined Authority funding for Apprenticeships, Cllr Ian Haszeldine asked if this funding was available for all apprenticeships or just those relating to particular employment areas. Julie Gilhespie stated that separate packages were available for priority employment sectors – as defined by Standard Industrial Classification (SIC) codes - and other sectors. Cllr Heather Scott welcomed the funding and requested consideration be given to how best to publicise the offer.</p>	
OSC 53/18	<p>DURHAM TEES VALLEY AIRPORT</p> <p>Ben Houchen, Tees Valley Mayor, opened a presentation outlining the economic and financial case for the proposed acquisition of Durham Tees Valley Airport, and associated Business Plan, by reporting unanimous backing for the plan by the private sector members of the Local Enterprise Partnership. He also reported that the proposals had also been presented to the Combined Authority's Transport and Audit & Governance Committees, the North East Chamber of Commerce and Tees Valley local authority leaders and</p>	

Chief Executives.

The Mayor then restated the current owner's announcement that the airport would close in 2021 without a change in ownership, and stated that this would have a significantly negative economic and reputational impact on the Tees Valley. He also stated that the cost of a replacement airport had been estimated at £200m, with a 10-15 year gap in provision.

He continued by reporting the due diligence and options appraisal process conducted by the Combined Authority or on its behalf by independent analysts, before detailing the economic and financial case for the acquisition and Business Plan. Julie Gilhespie then detailed the proposed governance arrangements for the relationship between the Combined Authority and the airport delivery vehicle in the event of the proposal proceeding.

The Chair asked for details of what impact the proposed acquisition would have on shares currently held by local authorities. The Mayor responded that this would be addressed in the event of Cabinet approving the proposal but that the acquisition itself did not impact on their shares.

Cllr Sonia Kane requested for details of interest rates relating to loans detailed in the business plan. The Mayor stated these rates would be regulated by State Aid requirements, which would necessarily be in line with commercial rates.

Cllr Heather Scott requested further details of what input local authority leaders had had into the development of the business plan. The Mayor stated that he believed they had been fully involved and that their contributions had added to the strength of the proposals.

Cllr Jean Sharrocks asked for details of the likely impact if a low-cost airplane operator was not attracted to run services from the airport, as envisaged in the Business Plan. The Mayor stated his view that the preferred operator would not be involved in this project if they did not believe this was an achievable outcome, but that even the delivery of additional seasonal flights from the airport would raise passenger numbers to between 400,000 and 600,000 per annum, significantly eliminating current losses.

Cllr Ian Haszeldine requested clarity on the borrowing arrangements necessitated by the acquisition and ownership of the airport. Martin Waters, Head of Finance, Resources and Housing, stated that Combined Authority borrowing requirements would relate to the Investment Plan as a whole, rather than the airport and would be prudential borrowing at a low interest rate through the Public Works Loan Board. He continued that the Combined Authority would be lending money to the delivery vehicle to be established for the administration of the airport, which would be paid back at higher commercial rates than initially borrowed by the Combined Authority, when the airport finances returned to surplus. He stated that over the long term all Combined Authority costs would be covered. Julie Gilhespie stated that the Combined Authority's ability to repay loans would not be dependent on the profitability of the airport, also

highlighting how the majority of TVCA investments are made in the form of grants rather than loans, on which the Combined Authority received no direct financial return.

Cllr Ian Haszeldine asked why little reference was made in the Business Plan to income generated by non-aviation commercial activities developed on the airport site. The Mayor stated that the Business Plan was designed to be a cautious document focused on the minimum possible returns.

Cllr Haszeldine asked if any further investment in transport infrastructure would be necessary to improve the viability of the airport. The Mayor responded that provision for transport infrastructure had been included in the Investment Plan.

Cllr Glynn Nightingale asked if the preferred operator was also intending to make efforts to attract business travel customers to the airport. The Mayor confirmed that it would.

Cllr Matt Vickers asked if a mayoral precept would be levied on taxpayers to fund the acquisition and ownership of the airport. The Mayor stated that it would not.

Cllr Vickers asked for details of the estimated value of the airport land. The Mayor stated that an independent evaluation had set the value of the land at £170m, although if the land was disposed of it was unlikely to realise this amount in full.

Cllr Phillip Thomson requested details on the future role of the Committee should the acquisition proceed. Julie Gilhespie stated that a similar procedure was envisaged to the current arrangements with the South Tees Development Corporation, where representatives periodically attended Overview and Scrutiny Committee to allow organisational oversight of the corporation. She also undertook to make regular updates to the committee in her Chief Executive Update and ensure that information was provided in the Investment Plan Update presented at every Cabinet meeting.

Cllr Vic Walkington asked if passenger numbers would be a Key Performance Indicator (KPI) for managing the relationship between the Combined Authority and the airport delivery vehicle. Julie Gilhespie confirmed that they would.

Cllr Glynn Nightingale asked if it would be necessary for investment to be made in the airport terminal. The Mayor stated that the existing terminal had sufficient capacity, but that improvements to passenger experience would be made.

Cllr Sonia Kane asked why local authority representatives were not included in the Airport Acquisition Project Group. Alison Fellows, Investment Director, stated that this group was purely for the mechanics of the proposed acquisition at an organisational level.

Cllr Ian Haszeldine asked if the Business Plan had considered the regularity prohibition of night flights from the airport. The Mayor

	<p>stated he understood that this was a staffing issue, not a regulatory one.</p> <p>The Chair closed the item by thanking the Mayor for his attendance, Committee Members for the quality of their questions, and officers for their work on the project to date.</p> <p>The Chair departed the meeting at this point, with Cllr Ian Haszeldine assuming the chair.</p>	
OSC 54/18	<p>FINANCE AND RESOURCES SUB-COMMITTEE: APPROVAL OF DRAFT BUDGET REPORT</p> <p>Chair of the Finance and Sub-Committee Cllr Ian Haszeldine presented a draft report detailing the sub-committee's consultation with officers relating to the Combined Authority's 2019-20 budget, recommending that members endorse the budget.</p> <p>Cllr Hazeldine expressed disappointment that the committee had not had the opportunity to scrutinise the Combined Authority's Investment Plan alongside the budget, as had been the case the previous year, and received assurances from the Chief Executive and Tees Valley Mayor that this would be addressed in future years.</p> <p>Sub-committee members Cllrs Heather Scott and Derrick Brown stated that all questions raised by members had been satisfactorily answered by officers, as detailed in Appendix II of the report.</p> <p>Sub-committee member Cllr Phillip Thomson welcomed the commitment by officers that a full briefing on the impact of Special Enterprise Zones and their impact on the Tees Valley, as requested by members, was to be supplied to the full committee in due course.</p> <p>RESOLVED: Members agreed that the report be approved and presented to Cabinet on 31st January by the Chair and Vice Chair of the Committee.</p>	
OSC 55/18	<p>FORWARD PLAN</p> <p>John Hart, Governance & Scrutiny Officer, drew the committee's attention to a change in the time to the meeting of 1st March 2019 published in papers from 12noon to 1pm.</p> <p>Cllr Heather Scott asked if it was possible for substitute members to attend committee meetings. The officer confirmed that no constitutional provision currently existed for this.</p> <p>Members agreed the Forward Plan as presented.</p>	
OSC 56/18	<p>DATE OF THE NEXT MEETING</p> <p>Friday March 1st 2019, 1pm.</p>	

Minutes agreed as a true record

Councillor Norma Stephenson OBE:.....

Date:.....