

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**15 FEBRUARY 2018**

**REPORT OF SENIOR  
MANAGEMENT TEAM**

### **CABINET DECISION**

**Leader of the Council – Councillor R Cook**

#### **THE TEES VALLEY COMBINED AUTHORITY (BORROWING) REGULATIONS 2018**

##### **1. SUMMARY**

The purpose of this report is to seek Cabinet to consent in principle to the making of the Tees Valley Combined Authority (Borrowing) Regulations 2018 in order to introduce borrowing powers for the Tees Valley Combined Authority (TVCA). These powers will support TVCA in delivering its aim of furthering the sustainable growth of the Tees Valley.

##### **2. RECOMMENDATIONS**

It is recommended that Cabinet:-

- (a) Consent in principle to the making of the Tees Valley Combined Authority (Borrowing) Regulations 2018
- (b) Agree a delegation to the Director of Finance and Business Services to give final consent to the Regulations, once requested by the Secretary of State.

##### **3. REASONS FOR THE RECOMMENDATION(S)/DECISION(S)**

- (a) It is a requirement that any borrowing undertaken would be in accordance with the aims of the TVCA to further the sustainable and inclusive growth of the economy of the Tees Valley. It is anticipated that this will have a positive benefit upon the borough and will assist in delivering the Council's priorities.

##### **4. MEMBERS' INTERESTS** (the text below is fixed and should not be altered by the author).

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

### **DISCLOSABLE PECUNIARY INTERESTS**

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

**AGENDA ITEM**  
**REPORT TO CABINET**  
**15 FEBRUARY 2018**  
**REPORT OF SENIOR**  
**MANAGEMENT TEAM**

**CABINET DECISION**

**Leader of the Council – Councillor R Cook**

**THE TEES VALLEY COMBINED AUTHORITY (BORROWING) REGULATIONS 2018**

**SUMMARY**

The purpose of this report is to seek Cabinet to consent to the making of the Tees Valley Combined Authority (Borrowing) Regulations 2018 in order to introduce borrowing powers for the Tees Valley Combined Authority (TVCA). These powers will support TVCA in delivering its aim of furthering the sustainable growth of the Tees Valley.

**RECOMMENDATIONS**

It is recommended that Cabinet:-

- (c) Consent in principle to the making of the Tees Valley Combined Authority (Borrowing) Regulations 2018
- (d) Agree a delegation to the Director of Finance and Business Services to give final consent to the Regulations, once requested by the Secretary of State.

**BACKGROUND**

1. The Tees Valley Combined Authority ('TVCA') was established on 1 April 2016 with the support of the five Tees Valley Councils. In September 2016, the first tranche of funding of £15m was transferred to the Combined Authority as a flexible revenue grant directed to the Tees Valley's priorities.
2. The powers of the Combined Authority have been established by the devolution of powers from central government and formalised by a number of statutory instruments which prescribe and delineate the powers granted. Generally the making of a statutory instrument requires the consent of the local authorities within the area of the Combined Authority before an order can be made.
3. The Chancellor of the Exchequer, in his Autumn Statement (November 2016), made a commitment to grant borrowing powers to mayoral combined authorities in England to allow them "to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury".

4. The Regulations to enable such borrowing are now being drafted, and the constituent authorities of the TVCA are being asked to consent to these Regulations being progressed before they are considered by Parliament.
5. The Regulations are intended to grant the TVCA borrowing powers to enable investment in economically productive infrastructure. The further functions to which these Regulations will extend the ability to borrow, broadly relate to regeneration and economic development, but also include existing functions such as:
  - a. Powers from the Local Government Act 1972 to encourage visitors and provide conference and other facilities;
  - b. Duty from the Housing Act 1985 to review housing needs;
  - c. Functions from the Education Act 1996 in relation to education and training for persons over compulsory school age;
  - d. Power from the Local Government Act 2003 to pay grants to local authorities;
  - e. Duty from the 2009 Act to prepare an assessment of economic conditions; and
  - f. Functions from the Localism Act 2011 including the power to designate mayoral development areas and the functional power of competence.
6. In the event that these powers are granted to TVCA, it is important to note that borrowing may only subsequently take place when strict conditions are met, as determined by the TVCA Director of Finance in her statutory role. In that regard, there must be a designated income source to repay any finance costs of borrowing before the borrowing can be approved.
7. The normal constitutional checks and balances provided for by the constitution of the Combined Authority would also apply to decision making concerning the budget and any borrowing. The TVCA Investment Plan, which deals with the allocation of resources includes borrowing, and requires the agreement of the TVCA Cabinet as part of the annual budget setting process and also for any in-year changes.
8. The Chancellor has proposed that borrowing by combined authorities will be subject to a cap on debt. It is important to note that this will be a maximum limit set by the Treasury, but this does not imply that the TVCA would be borrowing to that level.
9. The TVCA Cabinet intends to set its own (lower) debt limits, on the basis of approved business cases for individual projects, with the overall debt position reported to the TVCA Cabinet quarterly.
10. The draft Regulations are not yet publicly available. However, the Department for Communities and Local Government (DCLG) advise that, like previous similar legislation, the Regulations will merely confirm the ability of the TVCA to borrow for the purposes of section 23(5) of the Local Government Act 2003. On that basis, it seems unlikely there will be any concern in terms of the drafting of the proposed legislation, the main consideration being the principle of granting these additional powers to TVCA.
11. DCLG requires the consent of the Tees Valley constituent authorities as soon as possible following the end of January 2018 to enable them to fit this within their timetable for laying the instrument before Parliament. Due to the stage of the draft regulations within the Parliamentary process and acknowledging that these are not yet publicly available, Cabinet is asked to delegate authority to the Director of Finance and Business Services to give final consent to the Regulations, once requested by the Secretary of State.

12. TVCA, according to its constitution, exists to further the sustainable and inclusive growth of the economy of the Tees Valley. Borrowing powers would provide a substantial additional flexibility for the TVCA, allowing it to borrow against future income to finance upfront investment. The TVCA Strategic Economic Plan 2016-2026 ('SEP') sets out how the Combined Authority intends to deliver 25,000 additional jobs and an extra £2.8 billion into the Tees Valley economy by 2026. The aim of the SEP is for the Tees Valley to become a high value, low carbon, diverse and inclusive economy, by focussing on six main priorities of:
  - a. Business growth – including increased jobs and business density.
  - b. Research, development & innovation – to enhance productivity in all sectors.
  - c. Education, employment & skills – to ensure a labour market which meets the needs of local businesses and supports the lifetime opportunities of residents.
  - d. Culture – changing the external perception of the Tees Valley through the arts, cultural and leisure offer to create places that attract and retain businesses.
  - e. Place - the rejuvenation of town centres, and the promotion of the Tees Valley for energy intensive indigenous firms; and
  - f. Transport & infrastructure – to facilitate local, regional, national and international road, rail and broadband connectivity.
13. Any borrowing which is undertaken by TVCA will be exercised in order to promote a project which is of benefit to the Tees Valley, including Stockton. Investment in economically productive infrastructure is likely to attract further inward investment into the Tees Valley and the borough, and have the effect of developing new businesses and associated supply chains, resulting in the creation of more local jobs and training opportunities for local people. The creation of new jobs will also assist in increasing the supply and quality of housing within the area.
14. Although it is not possible to say at this time what decisions precisely TVCA will take in the future in relation to borrowing, as TVCA exist to further the growth of the economy of the Tees Valley any borrowing decisions are likely to assist in delivering the following priorities:
  - a. Strong and confident communities – the use of more spending power within the local community, and tackling poverty and inequalities.
  - b. Prosperity for all – attracting inward investment, accelerating business growth and start ups, assisting people to obtain higher and better paid employment opportunities.
  - c. A brighter future for our children – supporting young people to get good quality local jobs.
  - d. Attractive and vibrant places – improve our leisure, retail and cultural offer.
  - e. Good connections – strengthen our transport network.
  - f. Improving the way we work – forging strong partnerships across all sectors, be ever more outward looking and receptive to new ideas and innovation
15. TVCA have already considered these borrowing powers and approved acceptance at its cabinet meeting on 21st December 2017.
16. TVCA and DCLG are now consulting with the constituent authorities, including Stockton-on-Tees Borough Council, to request that they all consent to the making of the new Regulations.

## **FINANCIAL IMPLICATIONS**

17. There would be no direct financial impact on the Council at this stage. Clearly there may be a financial impact upon the TVCA should they choose to exercise the borrowing powers although as mentioned in the report this is constrained by the checks and balances within the TVCA constitution.

## **LEGAL IMPLICATIONS**

18. In the event that all of the Tees Valley constituent authorities do not agree to consent to the Regulations, they would be unable to proceed. Each of the constituent authorities are in the process of considering this decision via their own formal processes.
19. Given the Parliamentary timetable and lead in time for laying of regulations before Parliament. Consent is required by early February.

**Name of Contact Officer: Garry Cummings**  
**Post Title: Director of Finance and Business Services**  
**Telephone No. 01642 52 7011**  
**Email Address: [garry.cummings@stockton.gov.uk](mailto:garry.cummings@stockton.gov.uk)**

Education related: No

Background Papers: None

Ward(s) and Ward Councillors: All