

**OVERVIEW AND SCRUTINY BOARD**

A meeting of the Overview and Scrutiny Board was held on 15 September 2010.

**PRESENT:** Councillor Brunton (Chair); Councillors C Hobson, J Hobson, Ismail, Junier (as substitute for Councillor Cole), Kerr, Khan, McPartland (as substitute for Councillor Dryden), Mawston, Purvis, Sanderson and J A Walker.

**OFFICERS:** J Armstrong, J Bennington, R Boardman, C Breheny, S Cartlidge, P Clark, A Hoy and J Stephenson.

**PRESENT BY INVITATION:** **Councillor** Rooney, Executive Member for Regeneration and Economic Development  
Councillor Hubbard (originator of the request to Call-In the decision).

**\*\* ALSO IN ATTENDANCE:** Councillors Cox, Lowes and K Walker.  
Members of the public.

**\*\* APOLOGIES FOR ABSENCE** were submitted on behalf of Councillors Cole, Dryden and Williams.

**\*\* DECLARATIONS OF INTEREST**

No declarations of interest were made at this point of the meeting.

**DIGITALCITY BUSINESS – MIMA FOREIGN TRAVEL PROPOSALS**

A report of the Senior Scrutiny Officer had previously been circulated regarding the meeting, which had been arranged in accordance with the Council's Call-In procedure. The Call-In related to decisions made at a meeting of the Individual Executive Decision Making meeting of the Executive Member for Regeneration and Economic Development held on 24 August 2010 when consideration had been given to reports in respect of DigitalCity Business 2010/2011-2011/2012 Business Plan and Mima Foreign Travel Proposals.

The report of the Senior Scrutiny Officer included the following: -

- a) A copy of the report at Appendix 1 entitled DigitalCity Business 2010/2011 – 2011/2012 Business Plan which had been considered at the Individual Executive Decision Making meeting of the Executive Member for Regeneration and Economic Development held on 24 August 2010.
- b) The decisions taken at the Individual Executive Decision Making meeting of the Executive Member for Regeneration and Economic Development held on 24 August 2010 in respect of (a) above as follows:-
  - i) That the activities of the 2010/2011-2011/2012 Business Plan, as set out in paragraph 13 of the report be endorsed and its delivery be approved.
  - ii) That the Executive Member delegates the Director of Regeneration to undertake the necessary procedures to enable the full implementation of the DCB 2010/2011 – 2011/2012 Business Plan.
  - iii) That the contribution of £100,000 of Local Authority Business Growth Incentive resources towards delivery of the DCB 2010/2011-2011/2012 Business Plan be approved.
  - iv) That further work required to address the identified issues around foreign travel, commercial activity and future independence be noted.

- c) A copy of a report at Appendix 2 entitled DigitalCity Business and Mima Foreign Travel Proposals which had been considered at the Individual Executive Decision Making meeting of the Executive Member for Regeneration and Economic Development held on 24 August 2010.
- d) The decisions taken at the Individual Executive Decision Making meeting of the Executive Member for Regeneration and Economic Development held on 24 August 2010 in respect of (c) above as follows:-
- i) That the proposals for foreign travel included in the DigitalCity Business Plan for April 2010 into March 2012, and Mima's Collections Development Plan be noted and the approach proposed in paragraph 30 and 32 of the report be endorsed.
  - ii) That the approach proposed in this report be endorsed. Accountability, transparency and compliance issues always be dealt with within the principles of Council Policy- accountability, probity, and best value – at all times but that where compliance with the letter of the Council Policy may be difficult then the processes identified above will be utilised.
- e) Details of the Call-In procedure.
- f) The reasons given to the Authority's Proper Officer, for initiating the Call-In procedure related to the general concerns over expenditure. In addition, the potential spend on flights and officers' salaries in the present economic climate which should not take place. The items addressed were as follows:-
- DigitalCity Business 2010/2011-2011/2012 Business Plan relating to recommendations 1,3 and 4.
  - DigitalCity Business and Mima Foreign Travel Proposals, relating to recommendations 1 and 2.

The Chair welcomed all to the meeting and following introductions explained the procedure to be followed at the meeting.

The Executive Member for Regeneration and Economic Development introduced the Head of Economic Development Culture and Communities who summarised the key areas of the reports considered which included the following: -

- i) reference was made to the successful work by DCB as outlined in the report which had developed as one of the most important growth centres not only in Middlesbrough but also in the Tees Valley and the North East region;
- ii) the activity contained within the business plan would enable DCB and the Council to further contribute towards the key objectives within the Sustainable Community Strategy;
- iii) there was a need for a more diverse and resilient economy to be able to rejuvenate declining sectors;
- iv) the Business Plan provided the opportunity to establish itself as a key economic driver and vital support growth area which would help in retaining students who had studied at Teesside University and assist in securing long term future employment;
- v) the involvement and support of a number of partners and other local authorities to enable the project to continue and develop was considered to be a significant achievement;
- vi) it was confirmed that as part of the funding package the Middlesbrough contribution was £100,000 within the Local Authority Business Growth Incentive (LABGI) programme, a Government grant to promote economic development and not from mainstream Council funding or Council Tax;

- vii) in terms of the foreign travel proposals reference was made to the aims of the Business Plan which included the promotion of products and services internationally and to attract companies from the global market to invest, expand and support jobs in the Tees Valley;
- viii) an indication was given of the planning rationale of the foreign travel proposals and the need for such costs to be properly accountable;
- ix) it was a measure of the success of DCB and mima that each project needed to embark on foreign travel.

The Assistant Director mima indicated the key reasons for embarking on foreign travel. In terms of mima it represented the gallery's growing status and opportunities to secure significant external funding to further strengthen Middlesbrough's collection. Specific reference was made to funding arrangements whereby the Council had to provide match funding which had been identified for international travel and research associated with each work purchased under the Art Fund scheme.

The Executive Member for Regeneration and Economic Development emphasised the key points which had been considered in taking the decisions at the meeting held on 24 August which included: -

- the Business Plan would help to ensure that DCB moved towards a more financially sustainable position;
- the proposals would enable DCB to pursue an innovative role and maximise the opportunities presented by the global market and adopt an approach more in line with the private sector than traditional public business sector business support;
- specific reference was made to match funding by the Council, which had previously been agreed to assist in seeking global recognition and attracting external funding.

Councillor Hubbard was afforded the opportunity of asking questions of the Executive Member for Regeneration and Economic Development and Officers during which the following points had been raised: -

- a) in response to clarification sought regarding the summary outlined in the report regarding the delivery of a new business plan the Head of Economic Development Culture and Communities confirmed that essentially it covered all the Teams in delivering the plan but did not have a detailed breakdown of such figures available at the meeting;
- b) in terms of foreign travel proposals it was intended to open up markets for the cluster and the businesses within it and to attract outside trade and investment and establish real and meaningful relationships with key organisations in the world's established digital economies;
- c) the proposed activities outlined stemmed from the successful achievements to date and the confidence and support of funders;
- d) in response to comments regarding the proposal for DCB to develop a model that enabled it to trade commercially whilst still remaining part of the Council an indication was given of the basis on which this was being undertaken under a general duty of well-being on behalf of and in support of the local economy.

Councillor Hubbard outlined the reasons for invoking the Call-In procedure emphasising the following key issues:-

- i) in his opening remarks Councillor Hubbard confirmed that he supported the concept of Digital City but was opposed to the foreign travel proposals at a cost of £1.7 million for opening up marketing opportunities for the private sector;

- ii) although the report referred to the use of grant funded resources Councillor Hubbard indicated that it all related to tax revenue and affected everyone;
- iii) concerns were expressed at the intention for a new cluster management system to be developed by Digital City Business;
- iv) concerns were expressed around funding once the £1.7 million had been exhausted in March 2012;
- v) it was considered that the £100,000 earmarked for foreign travel costs could have been utilised as rate relief for the small businesses in Digital City;
- vi) clarification was sought around funding agreements referred to in paragraph 33 of Appendix 1 of the report;
- vii) it was questioned as to why only Middlesbrough and Stockton Councils had contributed to the venture given the indications that it would be for the benefit of those in the Tees Valley;
- viii) concerns were expressed that in order to gain £1 million from the Art Fund the Council had to provide an element of match funding, specifically £15,000 per annum over five years a total of £75,000 which was regarded as a significant sum given the current economic situation;
- ix) given the current financial constraints and potential pressures on frontline services it was considered a sensitive issue given references in the report to participation in overseas conferences, workshops, seminars and foreign travel enabling mima to accomplish excellence, innovation, diversity, engagement and best public value.

The Executive Member for Regeneration and Economic Development and the Head of Economic Development Culture and Communities were afforded the opportunity of asking questions of Councillor Hubbard, which mainly focussed on: -

- a) in response to clarification sought as to what alternative ways there might be in attracting employment within the area concerned Councillor Hubbard reiterated that the funding arrangements should have been utilised in providing reduced business rates;
- b) it was reiterated that the approach proposed for foreign travel would allow DCB to deliver the proposed Business Plan and maximise regeneration benefits for the emerging digital cluster and like mima maximise its role and take full advantage of the international opportunities available;
- c) further information was provided as to the extent of the involvement of other Tees Valley local authorities in the project.

Members of the Overview and Scrutiny Board sought clarification on points raised and posed questions of all parties, which mainly focussed on:

- the basis and current status of the funding package;
- confirmation given that there was no fixed timescale attached to the commercial opportunities involving joint arrangements between DCB and major digital companies;
- in relation to the long term an indication was given of the measures which DCB may have to put in place beyond the period of where public sector support could be secured;
- confirmation was given of the support that would be necessary from legal services in order that DCB undertook some of the intended activities which contributed to the sustainability of the organisation beyond 2012;

- whilst much discussion was carried out by video link conferences it was indicated that the nature of negotiations undertaken required face to face talks with individuals and organisations as required;
- in relation to the suggestions made to provide rate relief it was explained that such figures were small in comparison with the overall funding package and the benefits and impact of the project in the area.

Following closing submissions of the Executive Member for Regeneration and Economic Development, the Head of Economic Development Culture and Communities and Councillor Hubbard the Board discussed the evidence received the main observations of which centred on:

- i) Members referred to the success of DCB and mima which were regarded as huge assets to Middlesbrough;
- ii) given the overall economic climate Members expressed support for the proposals to attract wider investment and a key part of the current strategy to diversify the Town's economy and encourage the retention and growth of employment;
- iii) reference was made to the likelihood of extending the current status of DCB and mima even further across the UK and the global market;
- iv) it was considered by some Members that further use could have been made of video conference facilities thus reducing the need for foreign travel.

The Board considered the evidence and voted upon its decision.

**ORDERED** that the decision taken at the Individual Executive Decision-Making meeting of the Executive Member for Regeneration and Economic Development held on 24 August 2010 be not referred back on the basis of the evidence presented.