

**APPENDIX 2 TO THIS REPORT IS NOT FOR PUBLICATION BY VIRTUE OF
PARAGRAPH(S) 1 AND 2 OF SCHEDULE 12A
LOCAL GOVERNMENT ACT 1972**

AGENDA ITEM 12

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

27TH JULY 2017

**REPORT OF THE
MANAGING DIRECTOR**

GOVERNANCE AND APPOINTMENTS

SUMMARY

This report sets out a number of issues for decision by the Cabinet, relating to governance of the Combined Authority, delegation of decisions and appointments.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approve the delegation as set out in paragraph 3, for insertion in to the constitution (note that this requires the unanimous approval of the Cabinet, as a change to the constitution);
- ii. Approve the appointments as set out in Appendix 1;
- iii. Approve the appointments as set out in Appendix 2 (**Not for publication by virtue of paragraphs 1 and 2 of schedule 12A of the Local Government Act 1972**).

DETAIL

Delegated Decisions

1. The Cabinet agreed the allocation of Portfolio responsibilities at their AGM on 31st May. As set out in the Constitution, the Cabinet is the decision making body for the Combined Authority. The Cabinet can delegate decision-making powers to any of its Members or Sub-Committees, and also to the Managing Director or other Chief Officers, as defined by the Constitution. This has already been agreed in relation to utilisation of the Development Fund, which is delegated to the Managing Director in consultation with the Mayor, to support the assessment of proposals in preparation for a subsequent cabinet decision (in particular to develop business cases for major projects).
2. The establishment of portfolio roles for Cabinet Members provides the opportunity to consider further delegations. The AGM paper set out the intention to bring forward a proposal for delegated authority for decisions which meet certain criteria, to be signed off jointly by the Mayor and Cabinet portfolio members, following a proposal put to them by the Managing Director. The proposal would not proceed unless both the Mayor and the lead Cabinet Member agree to it. This provision would also have the practical benefit of being able to take decisions more rapidly between cabinet meetings, and to help manage the significantly increased quantity of business now required by the Combined Authority. Cabinet members are also keen to move to less frequent but more substantive agenda items at the public Cabinet meetings, allowing more time to secure political buy-in to the most significant or contentious issues.
3. Following discussion with the Monitoring Officers of the five authorities, we recommend that delegated decisions under these arrangements would need to satisfy the following criteria:
 - Any commitment of funds would need to have already been assigned by Cabinet for that purpose; for example through the specification of an overall programme within the Investment Plan;
 - The total sum involved should be less than £0.5 million;
 - The proposal should reflect an established Combined Authority policy position, and not raise novel or contentious issues which require debate with the full Cabinet. (In order to assure this, discussions would generally have taken place through the appropriate officer forum);
 - The Assurance Process, as agreed with government, should apply.
4. This approach broadly mirrors the arrangements in place within individual local authorities, applied to reflect the specific legal status and responsibilities of the Combined Authority. Key decisions made under this framework would be published, and subject to scrutiny where appropriate.

Appointments

Statutory Committees

5. Cabinet made a number of appointments at the AGM on 31st May. A small number were still to be confirmed at that stage, and Appendix 1 details some of these for approval. This includes the nominations for Chair and Vice-Chair of the Overview and Scrutiny Committee and the Audit and Governance Committee.

6. The AGM confirmed the Local Enterprise Partnership Board at the meeting on 31st May. Since that meeting, Ian Kinnery, has taken the decision to step down as a Board member. Ian will continue to be involved with the wider work of the Combined Authority and the LEP, as a key business leader in the Tees Valley. Ian Kinnery was the SME representative on the LEP Board and therefore consideration will need to be given to his replacement for this role.
7. The Cabinet is asked to approve the appointments at Appendix 1.

South Tees Development Corporation Board

8. Following Cabinet agreement, the Mayor has now formally submitted the proposal to establish the South Tees Development Corporation, for parliamentary approval before the summer recess. The draft Order sets a start date for the Corporation of 1st August.
9. The Cabinet also agreed a constitution for the Corporation, and initiated the process of board appointments. The Tees Valley Mayor, Leader of Redcar and Cleveland Council and Mayor of Middlesbrough will be members of the board as of right, with others appointed according to their expertise and experience. Since the Corporation has been operating in shadow form, the constitution provides that shadow board members should be invited to put themselves forward for appointment to the new statutory board. In parallel, an external advert was issued to invite applications from outside the current board membership, however this process did not yield any additional candidates.
10. Following discussions with those members and the Chief Executive of the Shadow Development Corporation to assess their willingness to serve on the Board, the Mayor is now proposing appointments to the Board. The appointments at Appendix 2 are exempt from publication, on grounds of confidentiality of personnel matters, and therefore the press and public will be required to leave for the consideration of the appointments. The appointments will be published following the meeting, subject to Cabinet agreement. This will allow a Board to be in place at the point the statutory Corporation takes effect.

Chief Officer - Finance Director

11. Following an open recruitment process, with a panel led by the Tees Valley Mayor and Councillor Jeffrey, we are proposing to appoint a Finance Director. The role is a joint appointment with the South Tees Development Corporation, to ensure that our Finance Director is also able to manage the financial interface between the Combined Authority and Development Corporation. The appointment at Appendix 2 is exempt from publication, and therefore the press and public will be required to leave for the consideration of the appointment. The appointment will be made public immediately following formal Cabinet agreement.

Review of Transparency and Conflicts of Interest Procedures

12. As agreed at the AGM, and in the light of recommendations directed at the 39 LEPs by the government and Public Accounts Committee, we have undertaken a review of our procedures for transparency and conflicts of interest for LEP members. We are committed to continue to uphold the principles of openness and transparency of decision making. As a result we have also taken the

opportunity to review our conflicts of interest procedure, in partnership with the LEP Network. The review has concluded that our procedures are appropriate, and include:

- An annual declaration of interests to be completed by all Combined Authority and LEP Board members within 28 days of the Combined Authority AGM; and,
- Members' interests to be declared at the Combined Authority meetings.

13. In order to promote clarity and ensure ease of use for the LEP members and the public, we have additionally produced a clearer version of the Conflicts of Interest procedures, which will be used in all future agendas. This will be circulated separately to all members.
14. Our review has concluded that, as long as the appropriate declarations of conflict have been made public, it remains appropriate that private sector LEP Board members may be directly or indirectly involved in the provision of services to the Combined Authority, or alternatively may be an applicant for funding through the Combined Authority or a body procured to administer funding on behalf of the Combined Authority. All services are procured through processes prescribed through national and European law and funding applications go through rigorous due diligence. We will, however, continue to ensure that care is taken in these circumstances, to ensure any perception of conflicts of interest are avoided, and members identify and remove themselves from any discussion which may conflict with their roles in other organisations.
15. It is also important to note that, as an integral part of the Combined Authority, the Tees Valley LEP is subject to additional democratic checks and balances on decision-making and procedures, with decisions made in public by Cabinet, and subject to Overview and Scrutiny. In this respect, the Tees Valley procedures are stronger and more transparent than is the case in LEPs which fall outside a Combined Authority framework. We also adhere to the assurance framework for project approvals, agreed with central government. Any changes to national best practice will be reflected in our own procedures.

FINANCIAL IMPLICATIONS

16. The report sets out a proposal for a financial delegation as detailed in paragraph 4. This delegation would be subject to completion of formal paperwork, which includes appropriate authorisation from the Mayor, Cabinet Portfolio holder, the Managing Director and the Finance Director.

LEGAL IMPLICATIONS

17. If agreed unanimously by Cabinet, the proposed delegation would need to be reflected in the constitution and its annexes.

RISK ASSESSMENT

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

CONSULTATION

19. Consultation on nominations for appointments has been undertaken in an appropriate way with Local Authority governance teams and through the appropriate Committees. A process for the appointment of Board members to the South Tees Development Corporation Board has been undertaken as described in paragraph 9 above.

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