

## **AGENDA ITEM 10**

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

**5 FEBRUARY 2018**

### **REPORT OF THE MANAGING DIRECTOR**

## **ENHANCING OUR LOCAL ECONOMIC IMPACT**

### **SUMMARY**

This paper identifies a commitment by the Combined Authority and South Tees Development Corporation to maximise the local economic impact of their work; directly, and through appropriate influence over private sector investors. It highlights work that has taken place to date to support sustainable employment and develop regional supply chains, and sets out our ambitions to build on this in 2018.

It is proposed that a new working group is established, on a “Task and Finish” basis, to review our approach to promoting local economic impact, and bring forward further measures for discussion with the Cabinet, and the South Tees Development Corporation Board, including proposals for subsequent monitoring of impact.

### **RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Agrees the commitment set out at paragraphs 1-3;
- ii. Notes the measures currently in place, or in development, to enhance local economic impact, and comment on good practice from partner organisations;
- iii. Agrees to establish a Working Group, and a terms of reference for the Group (paragraph 16)
- iv. Receives a report from the Working Group at a Cabinet meeting in Summer 2018, and that the report is also submitted to the South Tees Development Corporation Board for discussion.

### **A COMMITMENT TO LOCAL IMPACT**

1. The Tees Valley Combined Authority and South Tees Development Corporation are working with stakeholders across the Tees Valley and beyond, to deliver a step change in the Tees Valley economy. Together with our partners in the public and private sector

we have significant economic influence. This includes our economic leadership role; our roles to develop skills and support access to employment; our investment in infrastructure and local business; as well as our direct spend and purchasing power.

2. We already make a significant impact on the local economy, and we want to ensure that we build on this in future.
3. We will deliver our responsibilities, use our investment and influencing power to maximise economic, social and environmental benefits for residents and businesses in Tees Valley. Wherever possible, we will ensure investment generates good quality jobs which are accessible to local people, and supply chain opportunities are available to local businesses. A focus on local impact will be embedded into everything we do. We will ensure that our activity grows local markets, increases opportunities for local employment and supports the growth of regional supply chains. Wherever possible, our activity will:
  - Support local people to access good quality jobs, by supporting them to develop the necessary skills, and use our influence to promote local recruitment;
  - Use our direct spending and investment power to provide procurement opportunities accessible to local employers, while ensuring good value for money in public funding.
  - Work with private sector investors to maximise the local economic impact of new investment, by supporting local businesses to secure supply chain opportunities.

#### **CURRENT ACTIVITY - MAKING A LOCAL IMPACT**

4. Our formal commitment builds on existing activity, which is already securing social and economic value for the region. This includes:
  - Using our devolution deal, and success in winning national bids, to bring additional resources into the Tees Valley, in support of local people and businesses.
  - Supporting business start-ups and indigenous growth, as well as new inward investment. Business Compass has secured £12.9m ERDF funding, which is helping businesses access external business support to unlock growth in their companies, increase their broadband speeds, receive specialist innovation support and assist with capital investment in energy efficient measures
  - Supporting businesses operating in Tees Valley – helping them to develop networks and supply chains, and enabling them prepare for upcoming opportunities. We helped create Tees Engineering Network, which promotes supply chain opportunities to local engineering SMEs through peer to peer networking events. This has brought visibility to the local supply chain, and enabled local businesses to make connections with major private sector projects. Typically, the quarterly network events are attended by over 100 local SMEs

- Supporting regional businesses to access major international supply-chain opportunities through the Contract Catalyst initiative. This has supported contracts to the value of £156m and leveraged £98m in investment from the private sector
  - Working with businesses and learning providers to address existing and future skills gaps. Our Enterprise Employer Network supports businesses to work directly with senior management teams in over three quarters of our secondary schools and colleges
  - Raising aspirations through our work with schools – helping to ensure that our young people are central to the region’s future success. Over 12,000 young people have attended our skills events, informing them of employment and learning opportunities in the region; and 77% of Tees Valley learning establishments are involved in our Enterprise Adviser Network, enhancing employer-school interaction
  - Supporting apprenticeships, including through the £1.3m Apprenticeship Support for Employers scheme. This was created following the success of the Apprenticeship Grant for Employers, which was devolved to the Combined Authority in 2016 and approved applications to support more than 1000 apprentices
  - Providing targeted employment support, for example working with former employees at the SSI site, to ensure their skills are utilised in site preparation and re-development of the area
  - Protecting and improving our environment. We have agreed a Sustainability Policy, and are putting forward proposals to government to pioneer new approaches for carbon capture and storage
  - Spending our money locally where we can – using procurement rules that mean firms are drawn from the local areas for tenders where possible. We also use regional procurement frameworks where appropriate and are in the process of establishing our own frameworks to meet our future needs
  - Funding regionally significant projects, delivered by partners such as Teesside University, who have a track record of delivering local benefit
- Working in collaboration with Teesside University to embed academic expertise within the Development Corporation executive team and on emerging commercial proposals

## **ENHANCING OUR IMPACT**

5. We are committed to building on good practice and enhancing the impact we make locally. In 2018, we will further demonstrate our commitment to deliver local value.
6. We will embed criteria that can secure local value into procurement decisions alongside the traditional cost and quality weightings. We will develop a menu of local impact standards to be applied as appropriate (bearing in mind the subject matter of the procurement in question and what the market can bear without additional cost). These will include:
  - local labour sourcing;
  - local supply chain initiatives;

- reducing c02 emissions (including miles travelled for procured goods and services, choice of materials to reduce emissions)
  - waste management / recycling;
  - use of renewable energy sources, e.g. reduction in energy and water consumption;
  - apprenticeships created;
  - workforce development;
  - schools outreach;
  - delivering the Tees Valley Careers Strategy including attendance at local job fairs;
  - work experience opportunities;
  - supplier led standards (based on the local impact they have achieved on previous projects); and
  - investment in Tees Valley education, employment and skills activity.
7. Ability to meet the selected local impact standards will be evaluated as part of the procurement process and will make up a minimum of 10% of the decisions
  8. We will embed local value into our funding decisions to ensure that the projects we fund benefit the area to the fullest extent possible. We will engage with funding applicants to ensure that they have fully considered local impact in their approach to project delivery and that they have adopted local impact standards similar to those set out above, to the extent that it is relevant to their receipt of funding.
  9. For major investments by the TVCA and STDC, 'Local Implementation Pledge' will be requested as a pre-requisite to funding agreements where appropriate. This will identify how the organisation seeking funding will deliver additional economic, environmental and social benefits as a result of the funding received. We will work with organisations to develop and implement this Plan.
  10. Delivery against the Local Implementation Plan will be monitored during the term of the Funding Agreement and on completion of the project. The funded organisation will agree to provide a 'Demonstration of Local Impact' Report to confirm the extent of local impact achieved through the project. This information will help inform the content of future Plans

## **A NEW PARTNERSHIP APPROACH**

11. The activity captured above relates to the Combined Authority and the Development Corporation only. It does not include the good practice established in Tees Valley Local Authorities, or other organisations across the region. By taking a collective approach across the region, we can demonstrate an even greater impact.
12. It is recommended that a new Working Group is established, on a "task and finish" basis involving: the Combined Authority; South Tees Development Corporation; Tees Valley Local Authorities; private sector partners including SME representatives. The Group will share best practice and demonstrate leadership for a 'Tees Valley' approach that can maximise regional spend and influence. Remit of the Group will include:

- Carrying out a stocktake of activity, to understand existing approaches and to share regional best practice
- Learning from national and international best practice
- Mapping annual spend of the Combined Authority, Development Corporation and Tees Valley Local Authorities - to understand how much is spent with suppliers in the region
- Demonstrating an ethos of local impact as individual organisations and within their supply chains
- Exploring the extent to which suppliers, contractors and their supply chains re-spend within the local economy
- Exploring shared measures and approaches, including:
  - Encouraging and supporting partners to establish a common procurement standard making it easier for local providers to understand and respond to the process across the Tees Valley;
  - Agreeing a joint set of principles to enhance local impact through the way we procure goods, works and services including embedding local value as an award criterion;
  - Agreeing a target for goods, works and services procured from local companies by 2026;
  - Exploring issues, such as SMEs' ability to access sufficient insurance to compete for major contracts, and working with them to overcome barriers;
  - Working with partners to capture their commitment through a 'Local Impact Pledge', which can be used to demonstrate our cumulative impact;
  - Developing a legal framework that can be inserted into leasehold or freehold disposals where the Combined Authority or the Development Corporation is the landowner to require private investors to follow best practice in their own local sourcing; and
  - Developing a monitoring process to ensure that these objectives are measured and met.

13. The Working Group will report to Cabinet in Summer 2018.

## **FINANCIAL IMPLICATIONS**

14. Whilst there are no immediate financial implications, the extent of any proposed contractual obligations to be inserted into land leases or sales has the potential to create an impact on values. The proposed policy will be developed and evaluated with the objective of making this cost-neutral unless reported otherwise.

## **LEGAL IMPLICATIONS**

15. Legal advice has been sought in relation to the proposal to embed criteria that can secure local value into procurement decisions alongside the traditional cost and quality weightings to ensure that this approach is (in principle) compliant with the requirements of procurement legislation. Award criteria shall be reviewed on a case-by-case basis going forward to ensure that the criteria set are appropriate and compliant. The Combined Authority and South Tees Development Corporation will continue to abide by procurement regulations, and our approach to local economic

impact will be developed within the constraints set by the national and European legal framework.

## **RISK ASSESSMENT**

16. This paper does not commit the Combined Authority or development Corporation to any changes in policy or regulation, therefore there are no direct legal or financial risks. An appropriate risk assessment will take place for any new approaches developed as a result of future work.
17. Given the economic influence of the Combined Authority and Development Corporation, there is a risk that the local economy does not realise its full potential if the organisations do not demonstrate their commitment to local impact.

## **CONSULTATION**

18. Combined Authority and Development Corporation staff have been involved in developing this paper. It has also been discussed with Local Authority Leaders.

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