

AGENDA ITEM 9

REPORT TO THE TEES VALLEY COMBINED AUTHORITY

28TH SEPTEMBER 2018

REPORT OF STRATEGY DIRECTOR

IMPLEMENTATION OF THE LEP REVIEW

SUMMARY

This report details the outcome of the Local Enterprise Partnership (LEP) review and the necessary actions that the Tees Valley Combined Authority will need to put in place to respond to the review recommendations.

In Tees Valley the Combined Authority is the LEP with the private sector members Associate Members of the Cabinet, therefore all are fully involved in all aspects of the Combined Authority's work. This is not the case across the country so not all elements of the LEP review recognise our local arrangements meaning some proposals are more relevant than others. However, many of the proposals would be considered as good practice and are useful. In particular specific actions are identified in relation to Mayoral Combined Authority (MCAs) areas consolidating Government's engagement with MCAs and LEPs.

The actions that we have identified from the published LEP review and initial proposals to address them are set out below. This will be developed further through the detailed implementation plan which is to be submitted to Government by 31st October 2018.

RECOMMENDATIONS

It is recommended that the Combined Authority:

- i. to agree the report, in particular:
- ii. the submission of the statement on LEP geography (ANNEX 2) for the Tees Valley to Government today, and,
- iii. draft implementation plan to be circulated to all members for comment before sign off for submission to Government;
- iv. to delegate to officers, in consultation with the LEP Chair and the Mayor, the sign off of the implementation plan to be submitted to Government by 31st October.

DETAIL

PUBLISHED LOCAL ENTERPRISE PARTNERSHIP REVIEW

1. Government published the conclusions of the LEP review on 24th July 2018. It includes a series of Government commitments together with a number of additional changes that Government will work with LEPs to implement. The summary of the recommendations is attached at Annex 1.

REVIEW RECOMMENDATIONS AND IMPLICATIONS FOR TEES VALLEY

Roles and responsibilities

2. LEPs will focus on productivity, through the development and delivery of a Local Industrial Strategy, including the requirement for an annual delivery plan and an end of year report (a separate report covers this in more detail). In Tees Valley the LEP is fully integrated within the Combined Authority therefore the Combined Authority will take the lead in developing the Local Industrial Strategy. Government will also publish an annual economic outlook to measure economic performance across all LEPs and the areas they cover.

Leadership and organisational capacity

3. Additional support from Government will be in place from a senior official sponsor - Rachel Fisher (Deputy Director for Regeneration and Infrastructure, Cities and Local Growth Unit), is the Tees Valley sponsor and she visited Tees Valley on 2nd August. Support will be given to recruit LEP Chairs as appropriate and induction and training for Board members and officers will be available. Additional capacity funding of up to £200k will be available to provide the strategic and analytical capability to develop the Local Industrial Strategy and to implement the LEP review.
4. We will be required to:

LEP review requirement	TV LEP current position / action plan
Consult widely and transparently with the business community before appointing a new Chair. <i>The draft process needs to be identified in the LEP Review Implementation Plan and in place by 28th February 2019.</i>	Current LEP Chair was agreed at the TVCA AGM on 1 June 2018. When the new Chair is to be appointed we will consult with the business community in an open and transparent way.
Define term limits for Chair and Deputy Chair <i>The Implementation Plan should outline plans to introduce the defined term limits and the process should be in place by 28th February 2019. A deputy Chair should also be in place by 28th February 2019.</i>	The current Chair has been in place since the start of the Combined Authority in 2016 for a one year term as specified in the constitution. The MCA constitution in 2017 set out a two year term with the potential to extend for a further two years. Therefore, a new Chair will need to be appointed either by the June AGM 2019, or by the AGM in June, 2021, if the current Chair is extended for a further two years.

	Tees Valley does not have a formally appointed Deputy role and needs to consider this.
<p>More representative boards of a maximum of 20 persons (option to co-opt additional 5). Aspiration that 2/3rds of Board are private sector.</p> <p><i>The Implementation Plan will set out how this is to be achieved and changes needed should have been implemented by the end of the 2019/20 financial year.</i></p>	<p>At present the TV membership as detailed in the TVCA constitution has 15 members, eight from the public sector and nine from the private sector. However, we currently have a total of 18, nine public sector members (Mayor and 5 LA Leaders, HE, FE and NHS) and 9 private sector.</p> <p>For 2/3rds of the LEP Board to be private sector, with a maximum number of 20 members we would need to reduce the number of public sector members to a maximum of 7 and increase the private sector to 13. There is also the option to retain the other public sector members as co-opted members.</p> <p>It should be noted that this is an aspiration and Cabinet need to consider whether this is appropriate for Tees Valley.</p>
<p>Improve gender balance and representation of those with protected characteristics on boards</p> <ul style="list-style-type: none"> - Aim for women to represent 1/3rd of Board members by 2020 and ½ by 2023 - Ensure Boards are representative of the businesses and communities they serve <p><i>The implementation plan will set out how we will seek to achieve the equality and diversity ambitions.</i></p>	<p>TVCA Cabinet on 27th July, agreed to aim for 50% female representation on the Cabinet by 2020.</p> <p>Of the 18 members we only have 3 female members (one LA Leader, one NHS and one private sector). Therefore, to get to half by 2020 we could recruit a further 6 female members and stand down 6 male members or we could increase the total to 20 and recruit a further 7 female members and stand down three male members. By the end of May 2019, all bar one of our existing private sector members will have served the two year term. It also assumes that the LA membership would remain with the existing balance and this might change.</p> <p>Ongoing private sector recruitment will also be addressing this and the broader representation issues but before any further appointments are made the approach will need to be agreed to ensure that appointments are not making the gender balance more challenging to achieve.</p>
Provide a Secretariat independent of local government	Government has confirmed that this does not apply to LEPs in Combined

	Authorities where joint arrangements are considered appropriate.
<p>Develop a strong local evidence base of economic strengths, weaknesses and comparative advantages, supported by robust evaluation of individual projects and interventions.</p> <p><i>A proposal for this funding has to be submitted as part of the Implementation Plan by 31st October 2018.</i></p>	<p>The Tees Valley Economic Assessment underpins the Strategic Economic Plan and is updated bi-annually. Sector Action Plans have been and continue to be prepared to develop a better understanding of business in the area. Further evidence will be developed during the development of the Local Industrial Strategy. Funding of up to £200k will be available to develop the evidence and implement the LEP review.</p>

Accountability and Performance

5. Government will retain overall accountability for the system of LEPs and local growth funding, will publish LEP performance against quantitative and qualitative measure set out within LEP delivery plans and will work with the LEP Network to develop a peer to peer LEP review process.
6. We will be required to:

LEP review requirement	TV LEP current position / action plan
Have a legal personality such as incorporation as companies, or MCAs or CAs	TVCA is the accountable body – no change required.
<p>Set out clearly and transparently the responsibilities of the Chair, Board, Director and Accountable Body</p> <p><i>We will need to set this out in detail for the implementation plan and also in being compliant with the new national Assurance Framework by 28th February 2018.</i></p>	This is covered in part in the TVCA Constitution.
Actively participate in relevant local authority scrutiny panel enquiries	The LEP Chair should be invited to attend the TVCA Overview and Scrutiny Committee quarterly as does the Mayor. However, it should be noted that the LEP Chair is not accountable to the TVCA Overview and Scrutiny Committee as the Mayor as Chair of TVCA is accountable.
<p>Hold AGMs in public</p> <p><i>Arrangements are to be set out in the Implementation Plan.</i></p>	TVCA Annual General Meeting (AGM) and Cabinet meetings are held in public.

Geography

LEP review requirement	TV LEP current position / action plan
LEP Chairs and stakeholders are to put forward proposals by the end of September on geographies that reflect functioning economic areas, remove overlaps and potentially propose mergers.	Although Tees Valley has no overlap issues we are still required to submit our position on our geography to indicate that we have considered these issues and how we wish to proceed. Response attached at Annex 2 stating that we wish to retain the existing LEP boundaries as a functioning economic area, coterminous with the TVCA boundary.
Government will support LEPs to collaborate across boundaries	TVCA actively collaborates across boundaries on a variety of themes including, transport (a formal member of Transport for the North), low carbon, and innovation. Other northern groupings have been established including the Northern Powerhouse 11 (LEPs) partnership with Tees Valley leading on energy and the Convention of the North which was launched in June 2018 to represent the views of the North. TVCA will engage in cross boundary groups and networks where they add value to the development and delivery of the Strategic Economic Plan and the Local Industrial Strategy.

Mayoral Combined Authorities

7. The review recommendations specifically refer to arrangements in Mayoral Combined Authority Areas (MCAs). Government will consolidate its engagement with MCAs and their LEPs with a collaborative approach to agreeing a Local Industrial Strategy (LIS). In Tees Valley the LIS will be developed by TVCA working as a fully integrated public and private partnership. The revised National LEP Assurance Framework and revised Single Pot Assurance Framework, to be published in the autumn, will provide further clarity on the requirements for MCAs and LEPs. It is hoped that this consolidation will include one Annual Conversation with the Combined Authority rather than separate conversations on elements of the “single pot”.

LEP review requirement	TV LEP current position / action plan
Ensure LEPs have a distinctive role in setting and commissioning interventions to drive growth, jobs and private sector investment	TVCA is the LEP and operates as one body with one brand – TVCA and it would now be a backward step to have a separate identity for the LEP. However, the private sector members also meet on their own to consider their inputs to TVCA activity. Civil servants have indicated that the integrated nature of TVCA and TV LEP might make it difficult to demonstrate the distinctiveness of the LEP. If Government had stated LEPs’ role to be private sector advisory groups this would be a valid argument.

	However, Government has reinforced LEPs' role as public / private partnerships and TVCA is the most integrated public, private partnership in England. A meeting is being arranged with civil servants to discuss this matter.
LEPs and MCAs to develop local agreements setting out roles, responsibilities and accountability <i>An update on this is to be provided in the Implementation Plan and to be included in detail in the revised Local Assurance Framework by 28th February 2019.</i>	TVCA constitution sets this out and will be updated regarding membership numbers, gender balance and the deputy role.
LEPs and MCAs to move towards coterminous boundaries	Boundaries are already coterminous – no action required.

FINANCIAL IMPLICATIONS

- The LEP review should not result in a need for existing TVCA funds to be allocated to its implementation. Further LEP capacity funding of up to £200k will be made available to support the development of the evidence base, analysis and preparation of the Local Industrial Strategy, Annual Delivery Plan and Annual Report and the implementation of the LEP review.

LEGAL IMPLICATIONS

- There are no legal implications for TVCA resulting from the LEP Review.

RISK ASSESSMENT

- The major risk is that the LEP review will disrupt our established and successful partnership that has driven our work for the last decade and ensured that we were in the first wave of MCAs etc. A meeting with senior civil servants is being arranged to discuss the issue of the distinctiveness of the LEP
- A further risk associated with the implementation of the LEP Review in Tees Valley is the potential inability to recruit sufficient female members and to have appropriate representation from the businesses and communities of Tees Valley. A recruitment action plan will be developed to mitigate against these risks. .

CONSULTATION & COMMUNICATION

- Elements of the review implementation will require consultation and communication and a consultation and communication plan will be prepared as part of the detailed implementation plan.

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STRENGTHENED LOCAL ENTERPRISE PARTNERSHIPS – SUMMARY RECOMMENDATIONS

Role and responsibilities:

Government will:

Publish a **statement on the role and responsibilities** of LEPs. LEPs will focus on enhancing productivity. This will be achieved through the development and delivery of their Local Industrial Strategy.

- Publish a **further statement on Local Industrial Strategies** to guide locally-led work. This statement will be published over the summer. Government will aim to agree Local Industrial Strategies with all areas of England by early 2020.
- Commission an **annual economic outlook** to independently measure economic performance across all LEPs and the areas they cover.

Government will support all LEPs to:

- Develop an evidence-based **Local Industrial Strategy** that sets out a long-term economic vision for their area based on local consultation.
- Publish an **annual delivery plan and end of year report**. This will include key performance indicators to assess the impact of their Local Industrial Strategy, funding and interventions. It will inform objective assessment on LEP performance.

Leadership and organisational capacity:

Government will:

- Increase **regular dialogue** with LEPs. This includes the **Prime Minister chaired Council** announced in the Industrial Strategy, as well as a **senior official sponsor** for every LEP from across government departments.
- Actively **work with LEPs to advertise opportunities** for private sector leaders to become a LEP Chair when vacancies emerge. While these are not public appointments, we will offer to list vacancies on the Centre for Public Appointments website.
- Offer an **induction and training** programme for LEP board members and officers on working with Government. We will work with the LEP Network, Local Government Association and other professional development bodies to develop this programme.
- Provide **up to £20 million between 2018-19 and 2019-20 in additional capacity funding to support LEPs** to implement the review and to provide the strategic and analytical capability needed to develop ambitious Local Industrial Strategies.

Government will support LEPs to:

- **Consult widely and transparently** with the business community before appointing a new Chair; and introduce **defined term limits** for Chairs and Deputy Chair.

- Establish more **representative boards of a maximum of 20 persons** with the option to co-opt up to five additional board members. Our aspiration is that two-thirds of board members should be from the private sector;
- **Improve the gender balance and representation of those with protected characteristics on boards** with an aim that women make up at least one third of LEP boards by 2020 with an expectation for equal representation by 2023, and ensuring all LEP boards are representative of the businesses and communities they serve.
- **Provide a secretariat independent of local government** to support LEPs' decision making.
- **Develop a strong local evidence base of economic strengths, weaknesses and comparative advantages** within a national and international context. This will be supported by **robust evaluation of individual projects and interventions**.

Accountability and performance:

Government will:

- Continue to maintain **overall accountability for the system** of LEPs and local growth funding, and implement in full the recommendations of the Ney Review and any future recommendations that may be made as the performance of LEPs is scrutinised and reviewed.
- Assess and publish annual performance against **quantitative and qualitative measures** set out within LEP delivery plans.
- Set out within a revised National Assurance Framework a clear statement on an **escalating approach to intervention** in any instances where LEPs demonstrate that they are found to be underperforming.
- Develop with the LEP Network and LEPs a **sector-led approach to assessing and improving performance** through regular peer review.

Government will support all LEPs to:

- Have a **legal personality**, such as incorporation as companies, or mayoral combined authorities or combined authorities where they exist.
- Set out clearly and transparently the **responsibilities of the Chair, Board, Director, and Accountable Body**, including over spending decisions, appointments, and governance.
- Actively participate in relevant **local authority scrutiny panel** enquiries to ensure effective and appropriate democratic scrutiny of their investment decisions.
- Hold **annual general meetings** open to the public to attend to ensure the communities that they represent can understand and influence the economic plans for the area.

Geography:

Government will:

- Ask LEP Chairs and other local stakeholders to come forward with **considered proposals by the end of September on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers**. Government will respond to these proposals in the autumn and future capacity funding will be contingent on successfully achieving this.

Government will support all LEPs to:

- **Collaborate across boundaries** where interests are aligned when developing strategies and interventions to maximise their impact across their different objectives.

Mayoral combined authorities:

Government will:

- **Consolidate its engagement with mayoral combined authorities and their LEPs** with a collaborative approach to agreeing a Local Industrial Strategy.

In mayoral combined authority areas, we will work with each LEP and mayoral combined authority to:

- **Ensure LEPs have a distinctive role in setting strategy and commissioning interventions** to drive growth, jobs and private sector investment
- Require **LEPs and mayoral combined authorities to develop local agreements** which clearly set out roles and responsibilities and accountability.
- **Encourage LEPs and mayoral combined authorities to move towards coterminous geographies where appropriate** in line with the wider discussions on LEP geographies.

Implementation

We will work with LEPs to develop revised proposals for geography by 28 September 2018 and a detailed plan for implementing the above changes before 31 October 2018. We will then work with LEPs, as above, to ensure these plans are implemented effectively across the country.

To support this, Government will publish a revised National Assurance Framework. This will clearly define what is required of each LEP to be compliant and to receive future core and growth funding.

We will also work with the LEP Network to identify and develop case studies of good practice and commission an additional training offer that will be available to LEP Chairs and board members.

Proposed Statement on Tees Valley LEP Geography

Tees Valley Combined Authority proposes that there is no change required to its existing geography.

The region represents a well-established and successful functioning economic area. This was recognised by Government in establishing the Mayoral Combined Authority in 2016, covering the same geography.

Tees Valley represents one of the most significant integrated industrial economies in the UK. Covering 304 square miles, and with a population of 672,500, it is made up of the Local Authority areas of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton. The region has a strong history of collaboration between local business leaders and the five Local Authorities, which has seen Tees Valley lead the way in setting a regional economic agenda and become a flagship for devolution.

The Tees Valley proposal for retaining the existing LEP geography is based around the following:

- 88% of residents work within the Tees Valley, and the area has a great deal of self-containment, with relatively few commuters crossing the Tees Valley boundary; many people work within their area of residence, with significant proportions travelling between the Tees Valley Local Authority areas;
- The Mayoral Combined Authority governance arrangements reflect the historical workings of the Tees Valley as a functional economic area. Combined Authority and LEP geographies are co-terminus, and the LEP is fully integrated within the Combined Authority with supporting structures that are independent of the constituent Local Authorities;
- Tees Valley has unique strengths in large scale production and processing industries. It is one of the largest industrial areas in the UK with process, energy and industrial technology plants of world scale. The area also has emerging strengths in new, innovative technologies such as subsea, biologics, energy from waste, and digital industry. Business clusters and supply chains have, and continue to grow at the Tees Valley level;
- Tees Valley Business Compass was established in 2014 as part of the national growth hub network, recognising the need for co-ordinated business support activity at the Tees Valley level, working with local and national providers; and
- There are not considered to be any advantages in changing the LEP boundaries with neighbouring LEPs. The functional economic geography of the North Eastern LEP involves sector strengths and travel to work patterns that are distinctly separate from those in Tees Valley. Whilst the economy of North Yorkshire and East Riding LEP covers a much larger geographic area, with a predominantly rural focus that does not align to the economic functioning of Tees Valley. However, Tees Valley Combined

Authority actively collaborates with areas beyond its boundaries where there are synergies and added value. For example, leading the development of a Science Innovation Audit for the chemicals and process sector across the northern powerhouse area and leading on the northern hub for hydrogen.

There is a strongly held view amongst business and civic leaders in Tees Valley that, due to the reasons outlined above, the existing Tees Valley LEP area is the appropriate and accepted economic geography, which should continue into the future.