Tyfu Canolbarth Cymru
Growing Mid Wales

Growing Mid Wales Board Meeting

21st September 2021 – 2.00-4.30pm.

Draft Report – Growing Mid Wales Board – September 2021

Economic Strategy Group – Review of Arrangements

1. Introduction

This report sets out the current position in respect of the Economic Strategy Group (ESG) and how 'Declarations of Interest' may impact on its future work. The ESG was originally set up in November 2019 for a period of two years after which membership would be reviewed. With the intention to move to a Final Deal Agreement before the end of the year, it is therefore considered an appropriate time to review the role and purpose of the ESG.

It was also a recommendation of the PVR, undertaken in November 2020, that the ESG's purpose and membership should be reviewed as the Growth Deal is progressed. Once the Growing Mid Wales Board has approved the future direction for business leader engagement, a more detailed report will be provided on the chosen option.

2. Background

The ESG was set up in November 2019 with a Terms of Reference which is attached as Appendix 1.

The overall purpose of the ESG is to: -

1. Provide a business voice on the Growth Deal to the Board and champion the projects to be included in the Growth Deal.

2. Aid collaboration and communication with the private sector and to the Authorities and other public funding bodies.

3. Represent local business views to shape future strategy and influence policy relevant to economic growth and business benefit at Mid Wales level.

4. Make recommendations to the Board.

The ESG have met intermittently since inception and have made an important contribution to strategy and policy development of the framework within which the Growth Deal is currently moving forward.

It is clear, however, that ESG members have been frustrated by the pace of development and the level of detail on which they have been asked to comment. As the Growth Deal moves from strategy and policy towards the more detailed development of projects it is important to consider the current remit of the ESG and the way the group is constituted.

This has been made more urgent and necessary as it becomes clear that several ESG members will have an interest in Growth Deal projects as they are developed over the coming months. As of yet, the ESG has not been asked to comment on specific projects but as the next stage of the Growth Deal progresses it is inevitable that such consideration would need to be given by the ESG.

Given the need to address 'Declaration of Interest' for ESG Members, it is timely to review current arrangements to both protect the interests of the two Authorities and the ESG members.

3. Declarations of Interest

The GMW Board agreed a range of governance arrangements for the ESG during its inception which dealt with how Declarations of Interest would be managed (as set out in the Inter-Authority Agreement). A Code of Conduct was established within – setting out the Nolan Principles. ESG Members were also

required to complete a Register of Interest which was duly submitted to the Monitoring Officer and are retained on file.

More recently arrangements were being made to provide more detailed training and awareness to the ESG in readiness for the Group having sight of more detailed information about the emerging projects. A meeting of the group was intended in September, to provide advice to the GMW Board in advance of their expected decision on the Portfolio Business Case that would then be submitted to Governments for review and would underpin the Final Deal Agreement.

Over recent months it has become clear that several ESG Members have a direct and potential interest in several projects being proposed. In order to ensure that the ESG Members and the GMW Board (and the two Local Authorities) are not put at risk in terms of perceived or actual 'interests' (and potential reputational damage), it was considered appropriate to seek expedited independent external advice on the way forward.

'Bethan Evans - Governance Training and Consultancy' was subsequently commissioned to review arrangements to date and provide a range of options that the GMW Board could consider before moving forward. Attached to this report is a copy of Bethan Evans' report (Appendix 2).

For ease of reference, parts of the report have been reproduced in this report and appear in italics.

In summary the report examines the process to date, compliance with best practice and options for the future involvement of the ESG and business leaders.

The report concludes that: –

'the requirements for members of the ESG to register and declare relevant interests are robust and appropriate for a body of this nature. They (coupled with the Nolan Principles) provide a strong framework to use when assessing if members of the ESG have interests they need to register and/or declare.'

The report then goes on to consider risks in relation to conflicts of interest, both from the ESG's position and from the Councils position. Of course, any conflict can be perceived rather than factual which is an equal risk particularly in terms of organisational reputation.

4. Conclusions and Options

The report sets out the circumstances in which a member of the ESG would need to declare an interest and withdraw from the meeting. Importantly the report also identifies that a risk of a conflict exists,

'if the success or failure of any one project/application has an impact on the others (for example because of a finite financial envelope or a limit on the number of projects per market, etc.).'

The options are set out as follows with the least risky listed first: -

Option One

Take the opportunity now to fundamentally review the approach to private sector engagement in the Growth Deal, and therefore the role/existence of the ESG. The PVR recommendations appear to require this in any event. This would enable explicit recognition of the conflict inherent in local private sector representation having a role in the assessment of individual projects. It would recognise that the Growth Deal is moving form vision/strategy to delivery, and that this is the time to re-set the governance arrangements.

The downside is that changing the remit of the ESG could attract criticism and it might alienate business support and key stakeholders. Different means of ensuring that expert business/market knowledge is built into the process would have to be found to ensure that the quality of the ultimate decision did not suffer. This is the safest option in terms of protecting the ESG Members and the councils against criticism of governance arrangements and accusations of conflict/bias.

Option Two

Retain the ESG as a strategic group for the moment but recognise that it should not have a role in the forthcoming assessment of individual projects/applications. This would probably not be well received by the members who, I understand are looking forward to getting into detail at their next meeting and they could withdraw their support. But it would project them (and the councils) against accusations of bias, etc. The Chair and Vice Chair could be fully briefed on the inherent conflict and would hopefully then support the approach. An alternative means of dealing with the assessment of the projects in September would have to be found. This could involve officers reporting

direct to the Board, perhaps informed by business views from independent sources with no interest in specific projects.

Option Three

If the numbers allow this, set up a sub-group of the ESG comprised of members who do not have interest to declare, give them delegated power to come to conclusions and to make recommendations straight on to the Board. This retains the expertise and goodwill of the business members but mitigates against the risk of members making decisions on issues where they have financial/personal interest.

The downside of this approach is that he ESG would be represented by a limited number of people who are unlikely to have different expertise on the projects being considered.

Option Four

Continue with the planned ESG meeting in September but mitigate the risks of this approach by

1. *Applying the ESG Code scrupulously, recognising that this will mean a number of members declaring interest and leaving for quite a few applications, or for the whole meeting*
2. *Emphasising that the ESG is not decision making, but is simply passing on its views to the Board and*
3. *Ensuing an objective, officer led report to the Board.*

The declaration of a number of interests could lead to a somewhat fragmented meeting or, at worst, loss of quorum. It might also put an onerous responsibility on a few members which might attract criticism and risk a narrow viewpoint of the merits of the projects. But it would retain the integrity of the ESG concept and utilise the business expertise for which the members were selected.

If Option Three or Four is pursued, there would be merit in organising training for the members of the ESG or the new subgroup, focusing on their roles/responsibilities, the provision of the Code/ the principles and when they need to declare interest.'

The options have been set out clearly by Bethan Evans, although Members may have alternative views. What is clear, however, is that the reputation of the region and the Councils, as well as that of the businesses participating in the Growth Deal need to be protected.

The report also reminds us that action is required after the PVR review, conducted by Government requires a reset of the role and function of the private sector role.

Both the Welsh Government and the United Kingdom Government have expressed views that conflicts/declarations of interest are an essential component of maintaining good governance and the expectation is that the region will review this at all stages of the Growth Deal.

Given the intention to move to a Final Deal Agreement within the current calendar year, and as the Growth Deal moves from strategy to planning for delivery and there is greater focus on the development of projects, it would appear appropriate to consider changes to the way business expertise is used for the next stage of the Growth Deal.

5.Recommendation

The importance of the Growth Deal is obviously significant and in order to ensure the most positive outcome it would appear sensible to reduce the risk of damage to the way the Deal is governed too minimum. In addition, the protection of reputations is equally important especially in respect of the businesses who have contributed time and effort on a voluntary basis to developments thus far.

It is therefore recommended that Option 1 as described within the attached Bethan Evans report and as reproduced in section 4 of this report is adopted. Furthermore, and subject to the support of the ESG, it is still proposed to conclude the Strategic and Policy phase of the Growth Deal in the lead up to the Final Deal Agreement with the ESG.

At the same time, if Members support the recommendation being made in this report, a further report will be brought back to the GMW Board on detailed proposals for future Business Leader engagement. Particularly as projects are developed, in order to assist the region in developing economic interventions that have the best chance of success. In doing so it is important to consider how an independent Business Leaders view can be sought without the risk of creating a similar potential conflict of interest.