

PRESENT: Councillor Karen Shore (Chairman)

Councillors Carol Gahan, Lynn Gibbon, Sam Naylor, Bob Rudd,
Lynn Riley (Reserve) and Neil Sullivan (Reserve)

Apologies for absence were received from Councillors Andrew Dawson and
Mark Stocks

Reserve Members: Councillors Lynn Riley and Neil Sullivan

Officers in attendance:	Andrew Lewis	Chief Executive
	Charlie Seward	Deputy Chief Executive (Place)
	Laurence Ainsworth	Director of Public Services Reform
	Rob Butler	Strategy and Innovation Manager
	Matthew Dodd	Strategy and Innovation Manager
	Philip Cox	Chief Executive, Cheshire and Warrington Local Enterprise Partnership
	Heloise MacAndrew	Senior Manager, Legal Services
	Andrew McNally	Legal Services
	Maggie Sheppard	Senior Manager, Contract Performance and Procurement
	Deborah Ridgeley	Democracy Business Manager

7 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

The Chairman welcomed everyone to the meeting and introductions round the table were made.

Members declared the following interests:-

Councillor Karen Shore – declared an Outside Bodies Interest as a Member of the Ellesmere Port Development Board.

Councillor Neil Sullivan – declared they were employed by an organisation that imported from and exported to Europe.

8 MINUTES

AGREED: That the minutes of the meeting of the Policy Commission: Planning for a Post Brexit Future held on 8 November 2018 be noted.

9 BREXIT - NATIONAL UPDATE

Charlie Seward, Deputy Chief Executive (Places) provided an update regarding the national position on Brexit. This included an overview of the content of the Draft Withdrawal Agreement that was published on 14 November 2018.

It was noted that Stephen Barclay MP, had replaced Dominic Raab MP as the Brexit Secretary.

An overview of the timeline for the agreement of any deal was provided, and for the potential associated timelines in relation to parliamentary scrutiny.

10 PRESENTATION - EU FUNDING

Philip Cox, Chief Executive, Cheshire and Warrington Local Enterprise Partnership (LEP), provided an update and explanation of current funding levels, structure and allocations across the sub-region, along with a description of what may replace them in the event of a deal or no-deal between the EU and UK government.

It was noted that Cheshire and Warrington had to date, received approximately £50m of European Structure Funds (ESF) and £62m of European Regional Development Fund (ERDF), all of which had been fully committed until the end of March 2019 across a variety of projects. The Government had committed to underwrite any local projects already allocated against EU funding until 2020.

It was further noted that given the depreciating value of the pound against the euro over the past two years, the value of the ESF and ERDF funding streams had since increased by £6m and £8m respectively. It was advised that in the event of a deal being agreed with the consequential transition period, there would still be sufficient time to allocate and spend this additional grant provision. This would be more difficult to achieve should no deal be agreed, but discussions would take place with the Ministry of Housing, Communities and Local Government (MHCLG) about the potential to allocate it against existing projects.

Members noted that the government had committed to establishing a UK Shared Prosperity Fund (UKSPF), starting in 2021, to replace current funding structures provided for by the European Union, but that no detail in relation to its overall value, process for applying for or parameters had yet been published. However, the government had indicated that the UKSPF would be developed with a similar remit to the ERDF fund (designed to tackle disadvantage, reduce inequality etc) but this had not been confirmed. A national consultation was due to begin before Christmas 2018 but that was now unlikely to start until 2019 as a result of ongoing uncertainty surrounding the negotiations.

The MHCLG had further indicated its intention to channel the UKSPF through Local Enterprise Partnerships (ie: on a regional level). However, as previously mentioned, there remained a lack of clarity regarding its design, and in particular, whether it would be reserved solely for projects which tackled inequality and disadvantage, or be broadened to incorporate projects relating to infrastructure.

Items raised by Members:-

- The Cheshire and Warrington sub-region was well advanced in relation to funding being committed, protecting it from being clawed back. There remained a degree of claw back risk in terms of some committed funding not yet spent, but the responsibility for monitoring and progressing that sat at a national level (with the MHCLG managing relationships with the companies carrying out ERDF projects) so there was a limit to what the LEP could do to push for funding to be spent and for work to be completed.
- An opportunity had been raised in respect of project proposals being developed within the Local Industrial Strategy framework. This would place them in a strong position to be immediately pursued at the point when a UK Shared Prosperity Fund was introduced.

- A further opportunity was raised in terms of local areas influencing the future design of the UKSPF. This influence could be channelled through responding to the expected consultation, through discussions with national bodies in developing a Local Industrial Strategy for the region, and through the final Policy Commission meeting, which would be involving the LGA, MHCLG and the government's Exiting the EU department.
- Members were in agreement that a number of principles should be advocated for by the group regarding the future design of the UKSPF, including; ease of access; less bureaucracy than the current process; the continuation of multi-year funding; allowing for more strategic planning and implementation; and greater devolution than the current system, with funding able to be tailored to local needs and priorities across both capital and revenue streams.
- It was also noted that Cheshire West and Chester should advocate not only for issues affecting local authorities up and down the country, but for issues relating (an often uniquely) to the borough and sub-region. This would likely include the pharmaceutical and nuclear industries, sectors which could also be incorporated into any devolution deal.

11 PRESENTATION - STATE AID

Heloise MacAndrew, Senior Legal Manager for Cheshire West and Chester Council, set out the definition of State Aid; current framework and future challenges and opportunities.

It was explained that State Aid referred to public assistance that was given to undertakings, in particular businesses, which have the ability to distort competition and affect trade by producing an unfair advantage. The presentation included national and international examples regarding the enforcement of State Aid.

It was noted that the nature of State Aid rules going forward would depend on the outcome of the Brexit negotiations. An agreed deal would likely involve the need to harmonise UK State Aid rules with those of the EU. Should a deal not be agreed, then the Competition and Markets Authority (which would assume UK responsibility for State Aid) would need to establish a new system of regulation.

Items raised by Members:-

- Members discussed the need for more information to be provided nationally in relation to the future of Assisted Area Status, which enabled greater access for certain areas (currently including Ellesmere Port) from UK to EU sources to attract new investment.
- It was noted that the Council may want to see more foreign investment in the area. Thought should be given to local strengths, including the nuclear and automotive sectors and others, and how they could be marketed to a much wider geography.
- As previously discussed, Members were in agreement that a number of principles should be advocated for regarding the future of State Aid, including; improvements to the clarity, simplicity and responsiveness of State Aid rules; a clear understanding of any future exemptions (akin to the current Assisted Area Status provision) and the effective communication of any associated implications of future regulatory changes.

12 PRESENTATION - PROCUREMENT

Maggie Sheppard, Senior Commercial Manager for Cheshire West and Chester Council, provided an overview of the current position and procurement regulations, as set out in the Local Government Act 1972.

Broadly, the key procurement principles currently established included; transparency, openness, non-discrimination and fair competition, achieving best value and probity, consistency, accountability and integrity.

The current EU threshold applicable to all local authorities was set out, above which the Public Contract Regulations 2015 applied (and all tenders needed to be published), was £181,302. This figure related to the total value of the contract procured, rather than the associated annual spend.

Members noted that procurement was highly likely to remain a regulated process, irrespective of the outcome of the Brexit negotiations, as this would protect against corruption, promote choice and support central and local government institutions to achieve value for money. It was anticipated that the Cabinet Office would take over the role of managing procurement within the UK.

Items raised by Members:-

- A number of local challenges were discussed in relation to the future of procurement regulation within the UK. These included the risk that a broader negative impact on the economy, particularly in the short term, could limit the number of organisations able to provide services, reducing the choice available and potentially increasing costs. This was most notable, locally in relation to social care and construction contracts, given the prominence of those sectors within Cheshire West and Chester. There was also an additional challenge for Small and Medium sized enterprises (SME's) in relation to meeting the Social Value element of the contracts being offered, with larger companies in a stronger position to fulfil those additional requirements through greater economies of scale.
- A number of opportunities were also discussed by Members. These included the potential to simplify and de-bureaucratise the current procurement process, with the introduction of a more streamlined system to encourage more SME's to bid for contracts. Local authorities could also advocate for a higher threshold for published (and therefore complex) tenders following the UK's withdrawal from the EU. It was further noted that the Council could better support local businesses to bid for contracts as a collective, for example in relation to construction, providing an opportunity for them to secure additional work and thereby increase the pool of skilled labour within the borough. There was also the possibility to explore the potential to establish a clear career pathway from social care into healthcare, encouraging a greater number and a consistent flow of people to enter the social care employment market.
- Members also noted the opportunity through the routes previously discussed, to advocate for a clearer, simpler system of procurement post-Brexit; consider existing support mechanisms available to encourage a wider variety of businesses to bid for contracts; and request details from the North Wales and Cheshire Chamber of Commerce in relation to the level of contracts currently being delivered into Europe by businesses across the

sub-region, to gain a greater understanding of opportunity and potential impact. The impact of any procurement change needed to be understood locally, particularly in the context of the borough's provider market, workforce and skills; mindful not to lose sight of those businesses which currently benefited through their provision of goods and services into EU member states.

13 DATE OF NEXT MEETING

The Chair referred to the items discussed during the meeting, and their link to the devolution agenda, which should be considered as a central element of the Policy Commission's work. It was reported that the sub-region recently published the Prospectus for Growth document, which set out the collective aims and ambitions for the sub-region and had sent this and a letter to James Brokenshire MP (Secretary of State for the MHCLG) re-asserting the sub-region's commitment to devolution. A response had been received, referring to the Devolution Framework, which was due to be published late autumn, but this was likely to be delayed given the government's current focus on negotiating the UK's withdrawal from the European Union.

It was noted that the work plan needed to retain an element of flexibility, with the potential to adapt in response to any changes to the national position.

The next meeting of the Policy Commission was scheduled for Tuesday 18 December 2018 at 6pm, in the Palatine Room, Town Hall, Chester.

Chairman

Date