

## Audit Finance and Governance Panel

**DRAFT** Minutes of the meeting held on Tuesday, 11<sup>th</sup> October 2022 via Microsoft Teams  
Paper A

### **Attendance**

#### **Board Members**

Stephen Savage (Audit, Finance and Governance Chair)  
Daffyd Williams (ABP)  
Mark Pearson-Kendall (Andrew Jackson Solicitors)  
Richard Frostick (Ernst & Young)  
James Newman (Chair HEY LEP)

#### **Secretariat**

Andrew Hewitt HEY LEP

#### **Guests**

Teresa Chalmers (HEY LEP)  
Graeme Smith (HCC)

### **Welcome, apologies and Declarations of Interest**

Stephen Savage welcomed the members to the panel. The minutes of the last meeting were approved as a true record, arising items were covered in today's agenda.

DW declared an interest on the discussion in regard of Opportunity Humber and the Humber Freeport.

JN declared an interest in discussions on EU funding cessation, given his role as a in the national governance of this programme. JHN also declared an interest in the item on Chair's remuneration.

**Apologies: none**

### **Matters Arising**

DW discussed the most recent Opportunity Humber (OH)\_Steering Group which had met to consider its role alongside the Humber Freeport. Two models were considered, convergence or alignment. After a discussion on the merits of both the alignment choice was made in order to support the Freeport to move on at pace and to ensure OH is not tied into some of the required governance in regard of use of public money etc.

As the former chair has now left OH a process of nominating and electing a new chair is underway with a suitable panel appointed. The ideal candidate would have a national profile, be used to working with a range of government colleagues and also has relevant local interest.

JHN commented that despite numerous attempts HEY and the GLLEP had not been invited to any discussions to date and he also understood that the wider business community also had not received an invite.

JHN added that he had a potential candidate in mind and would share this with DW outside of the meeting.

SS asked who the secretariat would be and how would this be funded. DW said that this was one of the discussion points at the meeting and that no decision had been made as yet.

In terms of the Freeport, the pause caused by funding had now been overcome and work was moving ahead; however the Government's recent announcements of the Investment Zones has meant further work to upgrade the initial proposals, and this could add a time expansion if necessary. If this was the case then further gap funding may be needed. The Freeport Steering Group would work closely with the four Humber Local Authorities to ensure that Investment Zone proposals added value to each organisation, and this was required by Government.

### **LEP Budget Outturn 21/22 and financial situation**

TC presented the paper that had previously been discussed at the LEP Board; it was important for the Audit, Finance and Governance Panel to understand in detail the challenges that the LEP team were faced with and to date, no future funding allocation had been allocated by Government. As the youngest LEP in the country with very limited reserves this curtails the activities that the LEP can deliver.

The LEP is working in support of the proposed future Combined Authority, but this is likely to be some way away and therefore a plan is needed to continue the current work and to provide assurance to the business community and the LEP staff team.

An added factor is that many of the EU funded programmes would come to an end in June 23 and therefore the programme staff team who had been funded by this route would also be at risk. SS commented that many of the team are highly competent professionals with the skills that a future Combined Authority would need and therefore open discussions must be held with the LAs asap.

DW said that indeed the LEP (as many other LEPs) is in a vulnerable position and that the main LEP board need to discuss this in more detail in terms of directors responsibilities, the LEP staff team and where solutions could be found.

GS commented that the reserve budget does account for any potential redundancy costs if ultimately needed and these are linked to the age of the staff team, so whilst reducing are still essential.

JHN said that the finance and potential solutions would be a main topic at the next LEP board meeting in November; at this stage whilst Government had not confirmed any future funding or indeed if there was to be a reduction that ongoing conversations with the two Local Authorities are positive and constructive. Various scenarios are being considered and whilst not yet fully formed would be shared with the LEP board and this Audit, Finance and Governance Panel is due course.

The Panel discussed the potential for public service reductions and where the Government's priorities may focus, LEPs could lose out if departments were asked to reduce overall costs.

DW added that the security and the welfare of the LEP team was paramount, could we borrow resources if needed? RF said that it would be right to look at pinch points for budget management and consider when decisions would need to be made, working with the Accountable Body. Clear liabilities and potential novation of contracts needed to be understood by the various boards and in particular, this Panel.

TC said that in terms of budget management, and as previously reported, the LEP was holding several vacancies and had worked with the Local Authorities to provide additional resources by part time secondments and support.

JHN thanked Graeme and the Panel for their comments and said that these would feature in conversations with the two Local Authorities and with the LEP board.

### **HEY LEP Office Move**

TC reported that the move from the previous Hull office had gone well with thanks to the LEP team and that all seemed content with the new Hull office within the Guildhall building. The Beverley County Hall office offers 7 desks and the Hull office 9. This means that the team continue to work on a rota basis ensuring that the teams within the larger team have the opportunity to be based at one site all together. To ensure connectivity with the whole team quarterly full team meetings have been set up with colleagues bringing along their lunches for networking after the meeting.

The additional unwanted furniture had been re-allocated to a local charity and back to Hull City Council for re-use by other staff. The additional IT kit was also reallocated back to HCC for re-use. Re-allocated furniture and IT costs were around £9k. and therefore this was helpful for the LA.

All staff members are agile workers and have access to suitable Laptops and mobile phones. A significant amount of business is delivered by Teams, and this reduces transport costs and improves efficiencies.

The move would save the LEP around £38k per annum including services costs so demonstrates the team's desire to become more efficient wherever possible. JHN added that many other LEPs were making these type of decisions and in HEY LEP's case it also sends a public message of LEP/LA partnership and intended future integration.

### **Combined Authority Progress and potential impact on LEP**

In terms of the future integration of LEPs within a Combined Authority then this needs additional thought. Until such time the letter from former Minister Neil O'Brien stands and the LEP needs to continue delivering its key priorities on leading the regional economic strategy, the skills agenda and in business support. The LEP is also responsible for the management of DIT seconded staff members and is continuing conversations with a range of Government departments on such areas of delivery as the Local Digital Skills Partnership which are at a sensitive stage.

JHN had previously spoken with former Minister, Greg Clarke and had

arranged for the Minister to have a conversation with both Local Authority Leaders. The Private Sector is still very much wanting a local Devolution Deal with the best possible outcomes for further business investment.

### **LEP Delivery Plan and Growth Hub Delivery Plan**

AH reiterated JHN comments on the expectation of LEPs to continue with their responsibilities as outlined in the Ministerial letter referred to earlier in the meeting. BEIS had also previously indicated that LEP performance on these responsibilities would be linked to future funding, but following conversations with the BEIS local lead, this now seemed not to be the case.

However the previous deadline for the LEP Delivery Plan beginning March 23 had not been postponed so in effect the LEP needed to produce a Delivery Plan that would demonstrate how the LEP would continue its work on economic growth without future funding been confirmed. This was a challenging situation that all LEPs have found themselves in.

AH suggested that there were several unknown factors that included the Shared Prosperity Fund and any general LEP allocation, the Partnership local boards were continuing to meet but no firm decisions had been made to date. In terms of detail for example, the cessation of EU funds and whether the SPF would fund any of the activity, for business support currently provided by the Growth Hub.

AH added that to meet the deadlines for the Delivery Plan several scenarios would be outlined within the document but that it was likely a 'business as usual' approach would be taken, considering current funding levels being maintained.

JHN asked if AH could consider another alternative in suggesting that if the LEP was allocated additional funds and could delivery additional growth outcomes the Government may have appetite to do so. SS and DW agreed, emphasising the recent Government focus on growth. AH said he would build in this scenario into the document.

AH provided an update on the delivery plan for the Growth Hub. AH outline that since the last meeting the formal offer letter for 22/23 had been received on the 5<sup>th</sup> August 2022. This confirmed the 50% cut to funding which had been outlined in the previous letter of comfort received in March 2022 to a total funding of £215,375 for the year. This has necessitated amendments to the proposed programme of work mainly to the provision of business start-up services. All one to many workshop provision for this client group have been discontinued

and providing full funding for local authorities to provide start up advisors has ceased. In its place a £5000 contribution has been provided to LAs for their use in delivering this provision.

The formal funding agreement for this approach has now been agreed with BEIS and claims for Quarters 1 & 2 submitted.

## **UK SPF**

The allocations of UKSPF were announced earlier in the year- £11m to ERYC and £10m to Hull CC. Both local authorities have set up Shadow Partnership Boards which the LEP is represented on, both as an organisation but also as a mechanism of corralling business and education interests onto the boards.

These Shadow Partnership Board approved the LA's Investment Plans which were submitted to Government on the 1<sup>st</sup> August 2022. The Investment Plans communicate the local priorities for the Local Authority areas. No feedback on these plans has been received by the LAs from government at this stage.

Following approval of Investment Plans, LAs will commence a process of inviting business cases from organisations who can deliver against the local priorities outlined in these plans.

## **Organisational Risk Register**

TC presented the paper which was a high summary 'live' document that was used to monitor risk and mitigation. Panel members were asked to comment and suggest any further areas they would like to see to ensure they had the fullest picture in terms of business management, governance, and financial issues.

Panel members commented that this was a detailed document that necessarily considered a wide range of managerial factors but for the Panel's purpose it would be useful to highlight those most critical, for example funding cessation. TC thanked colleagues for their comments and will include these in future reports.

## **Chair's remuneration**

JHN and the Panel discussed the remuneration agreements with support from GS. The Panel advised on the regularity of payments and were content with the responses from JHN.

### **Next steps**

TC suggested that as the LEP is in a transition stage with ongoing conversation with the two Local Authorities it would be helpful for the next Panel to take place in approximately 6 weeks' time. This could provide a useful point in time to test the various scenarios and gain the Panel's much valued input. Panel members agreed this would be useful if developments had progressed as planned. **Action – SS/TC**

### **AOB**

None raised

**Date of next meeting to be confirmed but likely to be in mid - January.**

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