

# Hull and East Yorkshire LEP Board

Chief Operating Officer's Update  
Report to the Board, 21<sup>st</sup> July 2021  
Paper H - Report from Teresa Chalmers and the HEY LEP Team

## 1. Summary

- 1.1. This report provides the board with an overview summary of the work of HEY LEP since the last board meeting; some areas of work are covered by other reports to be discussed in this meeting.

## 2. Recommendations

- 2.1. The Board to acknowledge the breadth of work being undertaken.
- 2.2. The Board to approve the sign off regarding the Freeport Memorandum of Understanding.
- 2.3. To accept the recommendation of the Audit, Finance and Governance (AFG) Panel for the Terms of Reference for the AFG itself as an independent Panel, the two Sub-Boards, the required policies and the Scheme of Delegation outlined in the Assurance Framework.

## 3. Report

- 3.1. **Governance.** The LEP continues to develop its governance mechanisms ensuring the policy requirements reflect the National and Local Assurance Framework.
- 3.2. **Sub-Boards.** The Chairs of the first three Sub-Board have reviewed the Expressions of Interest and are in the process of inviting colleagues to join these Boards. The recruitment to the Innovation and Transformation Sub-Board will follow later in the year. Due to the significant volume of applications it is not possible to offer all applicants a place, however interested parties will be asked if they wish to support the LEP in other ways such as membership of a working group etc. In addition to the external process the Chair will also write to the two local authorities to ask for their nominated representatives on each Sub-Board.
- 3.3. The LEP's Audit, Finance and Governance (AFG) Panel have met for the inaugural meeting chaired by Stephen Savage, former partner Wilkin Chapman, to review the draft essential policy documents. These include the Scheme of Delegation and the Terms of Reference for the AFG itself and the Business Support and Infrastructure Sub-Boards. The AFG recommends the adoption of these TOR to the Board as drafts. The Employment and Skills Sub-Board TOR will be reviewed over the coming weeks, with the Innovation and Transformation Sub-Board following. Any arising comments from the AFG will then go to the first meetings of all Sub-Boards for members' review of the TOR in their first meetings, the first three being likely held in October 2021.

3.4. Dates of all Sub-Board meetings and the LEP Board, and the external Business Engagement Board in its advisory capacity, will be circulated for Board members information later in the summer period.

**4. Freeport Memorandum of Understanding.** The Local Authorities' and LEPs' support for the Humber Freeport proposal was set out in the Letter of Support, signed by each Local Authority Leader and LEP Chair and submitted as part of the bid for Freeport status in Feb 2021. The Letter of Support sets out the commitment of each Local Authority and LEP to the proposal as described within the Bid. However, given the early stage of maturity of the proposal (and due to the fact that there were word limits for specific responses), many areas of the proposal were described in relatively high-level terms and were identified as requiring further work and development. The purpose of this Memorandum of Understanding, therefore, is to build on the commitments made in the Bid and to provide further detail around the way in which the Local Authorities and LEPs will work together during the 'set-up' phase and once the Humber Freeport is operational.

**5. Freeport Skills Paper.** The LEP has been invited to produce a discussion paper describing how the Freeport could develop a strand of work that supports the Humber employment and skills agenda. This will be used for an initial discussion that will aid the development of the skills theme within the outline business case that is needed by government at the end of July. The proposals include alignment of the work of any arising Freeport Skills Group with both LEPs, ensuring that the current Local Skills Reports from both LEPs feed into this process. The two HEY local authorities, Greater Lincolnshire LEP and Job Centre Plus colleagues have contributed to this paper. Further updates will include content from the two Humber universities and the south bank LAs.

**6. Growth Hub update.** The Growth Hub continues to gather business and economic intelligence for weekly reporting back into BEIS. This intelligence primarily relates to the recovery from Covid-19 and also any trends seen as arising from EU Transition. Some key pieces of intelligence seen over the last month are as follows:

- Businesses across the manufacturing, engineering, food, chemicals and construction sectors are advising of substantial supply chain disruption. Three main causes have been cited, which are increased cost of goods and raw materials (both domestic and imports), lack of availability of goods and raw materials, and a shortage of haulage capacity for supply chain deliveries.
- Some businesses from the agricultural, hospitality and food processing sectors are reporting recruitment issues due to lack of available workers.

- Numerous businesses across many sectors, though primarily construction, manufacturing and hospitality & leisure have reported cashflow difficulties as their businesses reopen. Many businesses are continuing to explore funding availability via the Growth Hub and the two local authorities, although the majority of the local and additional restrictions grants have now been claimed by these businesses, and there are no further grant funds available to them. The delay of “freedom day” from 21 June to 19 July has also led to cashflow pressures as many businesses had started to incur costs in advance of 21 June for reopening and/or service expansion, which could not happen on 21 June – and government did not make further grant funding available for such businesses desire the 4 week delay. Moreover, many businesses that took receipt of a government-backed “Bounce Back” or “CBILS” loan in 2020 are now having to start with their repayment plan, despite having a delicate cashflow position. Many businesses are no longer in a position to take on further debt finance.
- Many businesses have contacted the Growth Hub looking for advice and guidance on how to manage the return of staff to the workplace from “freedom day” on 19 July. Business are unsure about their legal rights to mandate mask wearing and social distancing in the workplace once it is no longer mandated by the government. Additionally, many businesses have seen notable disruption caused by school age children having to isolate at home, with the parents not able to go into work. This is a minor issue for clerical workers but has caused some disruption within manufacturing, construction and hospitality businesses.
- There has been an increasing volume of pre-start enquiries made with the Growth Hub since Q1 this year. It is believed that the impact of Covid and lockdown measures has led to both business failures and staff redundancies, causing people to examine self-employment as a career option. To a lesser degree, it is also believed that Brexit has generate new market opportunities – particularly the on shoring of some supply chains – and that new start-ups are being formed to capitalise on this.

**7. Export update.** Total exports from Yorkshire and the Humber declined by 7.6% from Q1 2020 to Q1 2021 (9.2% decline for the UK), although values aren't as low as Q2\* 2020 when values went as low as £3.2 BN (UK £60 BN) \*Covid factor

Total Exports in £ BN					
Region	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Yorkshire and Humber	3,590,583	4,076,229	3,439,811	3,252,522	3,863,656
UK	72,785,813	82,490,897	72,122,753	60,604,911	79,420,803

7.1 Hull and Humber Chamber of Commerce reports that labelling, interpretations of the new rules, rules of origin and the issuing of health certificates all remain challenging. Once import checks are introduced later in the year, this will inevitably create delays at ports, impact on the supply chain and will likely have a negative effect on the competitiveness of businesses which import goods, add value and re-export.

7.2 According to the Chamber's Quarterly Economic Survey Q2 2021, business confidence is returning with export sales and orders rising by 41 and 38 points respectively. The Chamber remains optimistic on the future prospects for UK businesses trading with Europe and the rest of the world, but it will require both the UK and the EU to work together on an ambitious agenda to fully embed, and build upon, the Trade and Co-operation Agreement (TCA).

7.3 The Food and Drink Federation reports that exports to the EU in Q1 2021 were £1.7 BN compared to 2020 Q1 £3.1 BN. The ongoing impacts of the COVID-19 pandemic, and the change in trading relationship with the EU, led to a 28% fall in UK food and drink exports in Q1 2021 when compared to 2020, and a 36% fall when compared with pre-COVID Q1 2019 figures. Exports to the EU fell by 47% compared to Q1 2020, whereas food and drink industry sales to non-EU countries were up by 0.3% in Q1 2021, with strong exports to East Asia, where there is high demand for quality UK food and drink. Q1 2021 exports to China, Hong Kong, Japan and South Korea were all above the levels seen in Q1 2020.

**8. Department of International Trade - Foreign Direct Investment, Key Account Management programme.** The portfolio of engaged companies continues to grow with four new companies engaged during the last month. If the rate of portfolio growth of the last three months can be maintained the contract targets set by the Department of International Trade will be achieved by the end of the calendar year. The identification and completion of Investment Projects will be a longer process as these plans take time to progress from initial planning through to conclusion. Phase 2 of the Shiphams Valves Machine Shop investment should be completed in September 2021.

8.1 Regular liaison continues to take place with colleagues from the Economic Development Teams of Hull and East Yorkshire Councils with secondary conversations being maintained with Northern Lincolnshire colleagues to ensure pan Humber opportunities are approached in a unified manner.

**9. Investment update.** The LEP continues to receive a number of large scale enquiries particularly related to the electric vehicle supply chain with a recent visit hosted to the Saltend Chemical Park. The site continues to attract investors and this may reflect earlier work by LEP officers and DIT to promote the site internationally through the High Performance Offer programme. Investment staff continue to outreach to overseas posts to promote the area with a recent example being a presentation to the Warsaw Embassy in Poland.

## **10. Financial and resource implications**

10.1 The LEP Scheme of Delegation proposes that the Sub-Boards have delegated authority to approve individual projects. For Capital projects the threshold is set at £2million over the life time of the projects and for Revenue projects it is set at £1million over the life time of the project. Any projects above these values will need to be presented to the main LEP Board for approval.