

Audit Finance and Governance Panel

Minutes of the meeting held on Tuesday, 14th June 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)

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 around Opportunity Humber and Freeport.

JN declared an interest in discussions on EU funding cessation.

1. **Apologies: none**

2. **LEP Budget**

GS provided the proposed LEP budget for 2022 – 2023. Whilst BEIS had sent a letter confirming the national 25% budget cut, the business case and actual funding had not been received to date. The business case is required annually and includes the match funding element that is provided by all members activity outside of the main board, e.g. sub-boards, and panels. In addition any staff seconded to the LEP can be costed as match. GS did not envisage any issues with the required figure.

DW acknowledged the budget was really tight and raised concern that the lack of funding and the lack of clarification of the development of the Combined Authority would place the LEP in a difficult situation. GS commented that whilst LEP reserves of £90K could be used to balance the budget this year, the remaining reserves for 23-24 also include staff liabilities; this puts the added pressure on the staff team to ensure spend was kept to absolute essentials.

TC said that therefore the LEP has sought Service Level Agreements with the LAs to cover off some areas of work but on a part time basis. In addition the LEP would be serving notice on the office in Wykeland House, Hull. The team would have allocated space within Hull's Guildhall in addition to the offices at County Hall and the HICP team who had some space within Aura.

GS also raised the issue of the national pay rise, which had been included within the budget at a rate of 2% backdated from the beginning of the financial year. If this was increased the budget would be further under pressure.

SS asked if it was still the case that the LEP was listed as a Company Limited by Guarantee and one that did not trade? MPK said it was surprising from a legal perspective that LEPs operate in this way. GS confirmed that this was still the position and many LEPs used this format and did not trade. JHN said that there were a few LEPs that did put some elements of business via the Company route. TC commented that if there are changes to the National Assurance Framework which impact on the LEP this could change.

The panel then discussed the pace of developing the Combined Authority and when the LEP would know more about the proposed 'folding in' as per the letter received JHN said that he understood that the LAs had completed the required proforma which was a

requirement following the devolution proposals but at the time of this meeting, had not received a response.

The Panel approved the proposed budget as presented.

3. **LEP Delivery Plan**

AH introduced the paper on the Delivery Plan. The Plan focussed on the areas of the activity that the LEP was contracted to delivery. An extension to the original timeframe offered the LEP Board the opportunity to review and approve the Plan prior to publishing on the LEP website.

BEIS had indicated a further longer term Delivery Plan is required in November that indicates what the LEP plans are along with other stakeholders. Given the situation with the Combined Authority this could prove problematic. AH had spoken to BEIS colleagues re the issue and sought further clarity. Advice was given that BEIS are considering how the Plans will develop for LEPs in a similar position and would provide more clarity in the Autumn.

The Panel thanked AH for his work on the Plan and were happy to endorse the LEP Board's approval from a governance perspective.

4. **Innovation and Transformation Board Update**

TC said that unfortunately due to the limited funds and staff pressure, a Board decision had been taken to postpone any plans for the Innovation and Transformation Board. Whilst this was disappointing the required secretariat function, would be extremely challenging given current resources. Professor Susan Lea who was going to chair the Board had acknowledged that this was not the right time for the LEP to further expand its structure. TC commented that Opportunity Humber is also reportedly interested in Innovation and may set up a Pan-Humber Board.

TC reported that this situation also impacted on the proposals to recruit young people to the LEP Boards. It would be very difficult to provide the induction and ongoing support for any young person who make have their first experience of board activity within current staffing levels.

The AFG Panel members accepted the decision, recognising that other priorities and ongoing responsibilities needed to be dealt with.

5. **The UK Shared Prosperity Fund**

AH commented that the Government had previously proposed that the UK Shared Prosperity Fund (UKSPF) would match the EU funds as a national replacement. The pre-prospectus had focussed on three main areas: skills, business, and place:

<https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus>

The LEP has previously been responsible for commissioning programmes and was now in a very different position, as this responsibility had passed to the local authorities.

The allocation of UKSPF was £11m to ERYCC and £10m to HullCC, this included an amount to deliver the government's national numeracy 'Multiply' programme, proposals of which are currently under development. Each local authority is required to complete its own investment plan by the end of August which government will then approve.

The capital element of the programme is a maximum of 10% in year one, 15% in year two and 20% in year three.

To develop these plans both LAs have hosted webinars and have recently invited partners to complete Expressions of Interest to indicate the types of programmes/projects that can be considered. The LEP has also been asked to contribute to the thinking and complete a series of EOIs in two specific areas: those programmes that the LEP would deliver itself e.g. the Growth Hub, and for those programmes that the LEP previously commissioned that added local value and could be funded under the new resource.

The Panel discussed the fact that in real terms there would be a gap in local delivery in terms of skills and that the reduction in funds could be particularly difficult for colleagues in the VCSE who were reliant on EU resources. AH explained that whilst the skills proposals were not intended to be delivered until 2024 – 2025, the VCSE activities could begin from this year.

The Panel thanked AH for his paper and acknowledged the situation. Further updates would follow at this board once the investment plans were made available.

6. **Humber Energy Board and Opportunity Humber**

JHN provided an update on the Humber Energy Board which had been set up by HEY and Greater Lincolnshire LEPs to focus on the various

energy related industrial issues within the wider Humber region. Membership included stakeholders and partners from the largest emitters and those engaged in clean energy such as offshore wind.

It had always been the intention to elect a chair from industry and at the last meeting Richard Gwilliam from Drax had been nominated and had accepted the role. JHN and Pat Doody would continue to act as vice-chairs and would assist with setting the agendas. It was likely that the Board would then develop working groups based on areas such as carbon capture etc.

Opportunity Humber was still in its development stage and there was no clear delivery plan as yet. The LEPs have still not been invited to participate in discussions despite requesting to do so. TC commented that she had been invited to speak with one of the consultants in regard of skills and had also offered to speak directly to the Board.

JHN added that the Humber Leadership Board had met recently, and he had asked leaders to ensure that they led the agenda. The only Pan Humber strategic issues were the Freeport, Energy and Inward Investment, the other issues being supported by both LEPs.

The Panel thanked JHN for his update and requested to be kept updated.

7. Growth Hub Annual Return and Budget Implications

AH reported that following the national 50% funding reduction the Growth Hub had completed its annual return to BEIS outlining its delivery in 2021/22. A delivery plan has been submitted to BEIS for Growth Hub delivery in 2022/23. The focus would be on general support rather than specialist services and unfortunately the start-up business advisor roles would no longer be funded due to the reduction. The Growth Hub would commit £5k towards the local authorities who already deliver some work in this area. The former Growth Hub Triage post, which is vacant would not be advertised; both LAs have supported this plan.

The Growth Hub Review had been concluded and this has helped prioritise services; the report has been shared with the main LEP and the Business Support Boards. There was general disappointment that the reduction was only made public the day before the beginning of the financial year which allowed little time to plan and communicate the changes.

On a more positive note, the Made Smarter funding has been announced as a three-year programme building on the initial pilot that Sheffield City Region led on. This would entail the recruitment of a

Made Smarter Programme leader. The Made Smarter Programme focusses on technical and digital improvements in manufacturing and the LEP heavily promoted this at the Business Day on Friday 10th June.

8. **LEP Annual General Meeting**

TC reported that the LEP Board had approved the date for the AGM which would take place on **19th July at the Guildhall in Hull at 10.15 a.m.** The event would be held following the next LEP board, and all board members are invited to attend. TC asked if SS would participate on behalf of the Audit, Finance and Governance Panel if he was able to do so.

Action – TC to confirm agenda with SS

Any Other Business

SS confirmed the date of the next meeting which would take place on 11th October 2022.