

## Minutes of the Marches LEP Performance Risk & Monitoring Committee (PRMC) Thursday 22<sup>nd</sup> October 2020

### Present

<b>Sonia Roberts (Chair)</b>	<b>SR</b>	<b>Marches LEP Board member</b>
Ruth Shepherd	RS	LEP Board Member and Private Sector Representative
Sara Williams	SW	LEP Board Member and Private Sector Representative
James Walton	JW	Shropshire Council, S151 Officer
Nicky Higgins	NH	Shropshire Council, Finance
Karen Morris	KM	Herefordshire Council, Finance
Dainy Runton	DR	Telford & Wrekin Council, Finance
Ollie Hindle	OH	BEIS, Cities and Local Growth Unit
Gill Hamer	GH	Marches LEP Director
Ilia Bowles	IB	Marches LEP Director of Corporate Services
Nick Alamanos	NA	Marches LEP Programme Manager
Lisa Ashby	LA	Marches LEP Project Officer
Stephanie Jones	SJ	Marches LEP Project Support Officer
Wayne Redge	WR	Marches LEP Office Administrator

ITEM		ACTION
1	<p><b>Welcome and apologies</b></p> <p>The Chair welcomed everyone to the meeting. Apologies had been received from Frank Myers, Kathryn Jones and Ken Clarke (represented by Dainy Runton).</p> <p>The Chair apologised that reports on the Risk Registers had been taken to the LEP Board before coming to PRMC which was due to the way meeting dates had fallen.</p> <p>Before moving to the agenda, the Chair opened with a discussion on the process for reporting information from PRMC to the LEP Board. She proposed that instead of providing the full Risk Registers, a summary report should be provided focused on flagging key risks to the Board. Areas of less concern would not need to be raised. The full Risk Registers would be available to Board members should they wish to refer to them. The Chair outlined a number of key risks which she felt needed to be strengthened in the Strategic Risk Register:</p> <ul style="list-style-type: none"> <li>• The need for a business continuity plan, including mitigation for loss of staff/key skills, critical systems failure, access to facilities/sites;</li> <li>• Loss of key resources/major funding streams;</li> <li>• Strengthening the early stage contracting process (for example, assessment of implementation plans provided at application stage) for risks to be flagged to the Board;</li> <li>• Strengthening the project pipeline to mitigate risks around project failure.</li> </ul> <p>The Chair noted that Ilia Bowles the new Director of Corporate Services would be leading work on the Risk Registers and PRMC. IB was invited to introduce herself and she outlined her background in Governance including experience with Risk Registers, Boards, Committees, auditors, annual accounts. IB would draft a summary report for the Chair to review. The Chair added that it would be useful for private sector members to be involved in reviewing this on behalf of the group.</p>	<b>IB</b>

	<p>For the benefit of new members GH and NA provided further background information:</p> <ul style="list-style-type: none"> <li>• GH clarified that the LEP does not run a procurement process for LGF contracts but puts out open calls for proposals which are subject to Due Diligence and assessment by an Independent Technical Evaluator (ITE) against economic priorities, value for money and other agreed criteria. The ITE supports the LEP Secretariat in making recommendations to the LEP Board to decide which schemes should be supported. A procurement process would require developing detailed specifications and could limit the market due to the number of organisations able to meet funding requirements.</li> <li>• NA added that the process is set out in the Accountability and Assurance Framework (AAF), Section 6, which gives assurance to government that the LEP will bring in robust projects. GH added that the AAF is a stipulation by government to ensure projects are assessed for value for money.</li> <li>• NA noted that there is a pipeline of projects in place should any projects for the existing funds fall away but the LEP should continue to build the pipeline for future funding.</li> </ul> <p>The Chair invited views on the proposed approach. RS agreed but felt it would be useful for new members to have a summary of the history and risks around projects, for example NMiTE, to understand the risks better. The Chair agreed it would be useful for the Board to have a list of projects. GH informed the group that the team had produced a detailed summary of projects for each funding stream broken down by local authority area to share with MPs, Scrutiny panels and the Business Boards. This could be provided to the Board on a regular basis and could be built on as an induction for new members. A separate briefing on NMiTE could be arranged.</p> <p>The Chair asked if other members agreed with the approach. SW indicated her support and as there were no objections the Chair noted this as agreement of the group.</p>	GH/NA
2	<p><b>Declarations of interest</b> None received.</p>	
3	<p><b>Minutes of the last meeting</b> The Minutes of the last meeting on the 17<sup>th</sup> July 2020 were reviewed and checked for accuracy. Minutes approved.</p>	
4	<p><b>Matters arising from last meeting (not included as an agenda item)</b> None. GH noted the appointment of SR as Deputy Chair of the LEP Board and thanked her for taking on the role.</p>	
<b>Governance</b>		
5	<p>a) MHCLG Mid-Year review – 28.09.20 GH informed the group that the MHCLG mid-year review had taken place on 28 September (annual reviews being held in January) and had involved the LEP Chair, the accountable body S151 Officer and BEIS lead. No ‘showstopper’ challenges had been identified. Governance was felt to be strong and strengthening and the main challenge was the amount of money to be spent. Action points would be circulated after the meeting. There was an action to align the Terms of Reference for the Business Boards</p>	GH

	<p>with the LEP Board and in line with the Nolan principles. This may need to be escalated to the Board. The Chair agreed this should be highlighted to the Board.</p> <p>Other actions were around capacity, the SLA with Shropshire Council and the requirement for the LEP to have a Diversity Strategy in place by next March. SR had taken on the role as the LEP Board Diversity and Social Inclusion Champion.</p> <p>b) Delivery Plan – signed off at LEP Board 29.09.20 GH updated that the Delivery Plan had been signed off by the Board and posted on the website.</p> <p>c) Annual Report – Please click <a href="#">here</a> to download The 2020 Annual Report had been launched at an event on 12 October and was now on the website to showcase all the projects supported by the LEP in the last year.</p> <p>d) SLA with Shropshire Council (Future Services) GH updated that the draft SLA between the LEP as a limited company and Shropshire Council as the accountable body had been considered by the Incorporation Sub-group, the LEP Chair and SR and was due to go back to the Sub-group next week. The intention was for the SLA to be approved at the January LEP Board meeting to come into effect from April. IB was taking this forward with JW and accountable body officers.</p> <p>The 19/20 accounts had been signed-off by the Board and were on Companies House website. £36k had been budgeted for the first payment of Corporation Tax on Reserves and money had been budgeted going forward. IB added that the accounts had been prepared by Thorne Widgery, signed by the Chair and submitted to HMRC. The first payment was due in January 2021.</p> <p>e) Future PRMC meetings – including handover GH updated, as discussed earlier in the meeting, that the Director of Corporate Services (IB) had added capacity on governance, and secretariat for PRMC and the Risk Registers would transfer to IB from the Programme Team. Handover meetings had been held with SR, NA and at the pre-PRMC briefing.</p> <p>f) New member – Sara Williams (inducted 12 August 2020) The Chair welcomed Sara Williams as a new member of the group. SW thanked NA for the induction meeting.</p> <p>g) LEP Staffing</p> <ul style="list-style-type: none"> <li>- Director of Corporate Services – Ilia Bowles As previously discussed, GH noted that Ilia Bowles was now in post.</li> <li>- LEP team budget and capacity funds GH updated the group on new posts and activity supported by additional government funding made available to March 2021 to respond to Covid. An appointment had been made to the Careers Enterprise Company (CEC) funded post</li> </ul>	<p><b>GH/SR</b></p>
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	<p>to support the Careers Hub, working with Enterprise Co-ordinators, to engage businesses with schools and colleges on career options. Steve Kenny had been recruited to support additional Growth Hub activity to March 2021. Gary Blackburn had been appointed as Marches LEP Project Support Officer on a temporary basis to support the tender for providers to deliver Peer Networks. Shropshire Chamber were supporting the development of a food and drink cluster, with a Marches-wide remit.</p> <p>The concern was that the funding was temporary and the LEP would be looking at funding post-March 2021. A funding bid had been submitted to government in the hope of a 3 year settlement but GH now understood that the settlement would be for one year and would be determined in the Comprehensive Spending Review (CSR). OH confirmed there had been no further update, but that the settlement would be for one year.</p> <p>GH informed the group that the intention was to extend staff contracts until March 2022 on the assumption of the same core funding or to use reserves if necessary. OH advised that the intention was to provide LEPs with core funding but this could not be confirmed until the CSR, currently due in the last week of November.</p> <p>SR determined that the group needed to look at sustainable funding as a risk and that this should be brought forward to the Board.</p> <ul style="list-style-type: none"> <li>- Capitalisation of Growth Deal to assist with Programme Management costs. JW gave an update on staffing capacity at Shropshire Council as reported to the LEP Board. The Council were looking at options for dedicated additional resource and levelling up across the finance team to create resilience and reduce reliance on one person. The Council was also looking at capitalisation of costs. The Board had looked at the criteria for capitalisation used by other LEPs which was in line with the views of the Accountable Body S151 Officer as to what was appropriate and what was not.</li> </ul> <p>The target was to capitalise £300k of costs. The accountable body was working through the elements that could be capitalised to calculate a figure to feed into the budget going forward. Work was being carried out by the Accountable Body Finance team and LEP on the elements and amounts. The Chair asked if an indicative amount could be provided. JW replied this was not available at this time but figures would be presented to the LEP Board on 24 November.</p> <p>GH updated the group that the LEP had received an additional £50k for administration costs to support the £14m Getting Building Fund contracts. The money had been received into the bank but the LEP was awaiting a grant offer letter and guidance on how the funds could be spent. OH advised that government hoped to send the letters out next week.</p> <p>JW highlighted the overall funding position to the group. The scale of operation required to manage the funds meant that costs were outstripping core funding on</p>	<p>SR/IB</p> <p>JW</p>
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	<p>an annual basis. Reserves could be used to smooth the budget but this was a one-off, temporary solution and over the longer term the budget was not balanced. This was not a sustainable position.</p> <p>The Chair acknowledged the position but also recognised that a realistic level of resource was required to manage the funds. It would be helpful to have sight of the guidance for spending the £50k GBF administration funds. OH replied he had not seen any guidance yet but the principle for the funding was to support programme management costs.</p> <p>The Chair reiterated that the sustainability of LEP funding was a key issue. She noted that the Marches LEP Board provided value for money as members were not financially compensated.</p>	
<b>Performance monitoring</b>		
6	<p>a) LEP programme risk registers – reviewed at LEP Board 29.09.20 (i) Strategic Risk Register (ii) Programme Risk Register</p> <p>NA introduced the report on the Risk Registers. The report had already been to the LEP Board on 29 September due to the way meeting dates had fallen but the majority of the updates were as discussed by PRMC on 17 July.</p> <p>The LEP secretariat had reviewed the Risk Registers with Shropshire Council’s Risk Management team. The recommendations from the review were set out in Section 1 of the report. The recommendations implemented in the proposed new format for the Risk Registers (Appendix 6a (i) and 6a (ii)) were set out in Section 2 and included an Annual Review aligned to the financial year. Feedback from the LEP Board was that this was a good approach.</p> <p>Section 3 outlined changes to the Risk Registers. The changes to the Programme Risk Register were as discussed by PRMC on 17 July. The Strategic Risk Register had been updated with a new risk (4.7) relating to the use of unlicensed images on the website, not previously discussed by PRMC.</p> <p>The action for the group was to attribute risk ratings to the new risks.</p> <ul style="list-style-type: none"> <li>- Strategic Risk 4.7 – the Programme Team had reviewed the risk and felt this was a low/medium. The Chair sought views from the group. Her view was that this was a low risk as BeBold had protocols in place and the financial cost would be borne by BeBold should they use unlicensed images. JW suggested that the LEP check the insurance cover in the BeBold contract. GH assured the group that there was a £1m liability cover in the contract. GH would share this with IB.</li> </ul> <p>NA clarified that the Risk Registers included a rating for the likelihood of the risk occurring and a rating for the impact. IB would look at the risk scoring mechanism going forward.</p>	<p><b>GH/IB</b></p> <p><b>IB</b></p>

	<p>The group agreed the risk rating of Low/Medium.</p> <ul style="list-style-type: none"> <li>- Programme Risk 1.12 - Government sets call deadlines which may not allow time for the LEP to follow processes set out in the Assurance and Accountability Framework. The risk had arisen following the tight deadlines set by government for the Getting Building Fund. The Programme Team had reviewed the risk and felt this was medium in terms of likelihood but high in terms of potential impact. The Chair asked the BEIS representative about the likelihood of this happening again. OH replied that it could happen again but it was not possible to say.</li> </ul> <p>The group agreed the risk rating of Medium/High.</p> <ul style="list-style-type: none"> <li>- Programme Risk 2.12 – Insufficient capacity in LEP team due to increased workload associated with the additional £14m Getting Building Fund. The Programme Team had considered this to be medium/high risk. Shropshire Council had provided additional financial capacity and there had been discussions with the LEP and PRMC Chairs including around the additional £50k funding to support GBF.</li> </ul> <p>The Chair asked JW whether it was possible to involve more Shropshire Council staff with LEP work. JW replied that the issue had been that the increase in the LEP workload had happened at the same time as close down, Covid and other pressures. It was not possible to resource up to mitigate the risk entirely, but Shropshire Council was looking at flexible working across the team to mitigate the risks.</p> <p>GH put this in context by saying that with the £27m Growth Deal and £14m Getting Building Fund contracts there were around 25 live projects, submitting claims and invoices to be processed and monitored, and the workload for the accountable body Finance team and LEP staff had trebled over the last 12-18 months. This is why more resources are needed.</p> <p>GH invited OH to use the Marches LEP as a case study to make the case to government for more resources. OH would raise this internally with the area lead for MHCLG (Becky Mounds).</p> <p>GH further added that careful management of the finances by the LEP and accountable body meant that the Marches LEP had money in reserves. Other LEPs were not in the same position and some had put staff on notice.</p> <p>The Chair thanked GH for the useful context and commented that it was not just about having enough staff but having the right skill sets.</p> <p>Action: Risk Registers to be updated as discussed and agreed at the meeting.</p> <p>b) 2020/21 LEP Budget Spreadsheets (exception reporting) GH reported (by exception) that the LEP had accrued £200k for VAT payments last year and £200k this year as a consequence of becoming a company limited by guarantee. The VAT cannot be recovered as the LEP is not a trading entity and there has been no increase in the core budget to cover VAT costs. Discussions have been held with MHCLG as to whether any</p>	<p>OH</p> <p>NA/LA/SJ</p>
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	<p>activity could be deemed as trading and therefore VAT exempt. There are examples of this from other LEPs. The LEP also bears the VAT costs for the Marches Growth Hub. As highlighted by JW, year-on-year this will wipe out reserves. This is for Board members to be aware of.</p> <p>The Chair noted this was due to the direction of travel by government but that the LEP was unable to reclaim VAT, and the costs of the VAT returns also need to be factored in. GH replied that this was reviewed at the monthly meetings with Finance.</p> <p>There were no other variances to report.</p> <p>c) Growth Deal Update – 2020/21 Profiles - Quarter 1 Data Return NA reported on the Growth Deal Q1 return. Spending was behind profile as of the end of Q1 largely due to the NMiTE Phase 2 project and delays due to Covid. The £27m projects had all been signed-off except the Hereford Enterprise Zone (HEZ) contract which had been delayed by additional governance arrangements but had now been signed off by Herefordshire Council and had been sent this morning to JW for signature. Project Engagement Visits had been held with all the projects (except the HEZ) and projects had confirmed they could spend by the end of the funding period.</p> <p>A similar process was being followed for the GBF contracts and meetings were being held with project leads to check the project is able to spend, to consider risks and the possible use of freedoms and flexibilities.</p> <p>DR asked whether freedoms and flexibilities could be used across LGF and GBF funds which would help Telford &amp; Wrekin Council. NA replied that the LEP has sought guidance on this from government. OH was requested to provide clarification in writing.</p> <p>d) LGF Review – remaining 1/3<sup>rd</sup> allocation NA updated that the mid-year review in September had reported that the £27m contracts had been signed off except one and that OH was championing the payment of the remaining 1/3 of the allocation.</p> <p>OH informed the group that the submission was with Ministers for a final decision and that the recommendation from officers had been to release the final 1/3. This had also been raised by other LEPs and OH would continue to chase up.</p> <p>e) Top up variations (NMiTE, Newport, Cyber Security &amp; Flaxmill) LA updated on the progress of contract variations for the Growth Deal 3 top up funds. The contract variations for the Cyber Centre and Newport Innovation and Enterprise Package had been signed-off. The Flaxmill contract variation had been agreed and the contract was due to be sealed imminently. Queries relating to the NMiTE Phase 1 expenditure and match funding were being resolved and the variation was being progressed.</p> <p>f) New Growth Deal Infrastructure projects (£27m) As reported under agenda item 6 c) the £27m Growth Deal contracts had all been signed off except the HEZ contract which was due to be signed imminently.</p>	<p>OH</p> <p>OH</p>
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	<p>g) Getting Building Fund (GBF) New and Accelerated Projects (£14m)</p> <ul style="list-style-type: none"> <li>- Due Diligence and contracting update</li> </ul> <p>NA updated on progress in contracting the 6 Getting Building Fund (GBF) contracts. The LEP Board agreed Herefordshire Council would manage the additional GBF awarded to NMiTe for Phase 2. A letter had been sent to Herefordshire Council regarding the transfer of the £1.6m GBF to the Council to manage the project.</p> <p>The five other projects were being contracted and funding agreements being finalised. Due Diligence had to be carried out after the award of funding but queries were being resolved and it was hoped that the funding agreements would be issued over the next couple of weeks.</p> <p>Asked about any specific blockages, NA updated that information was outstanding from Wrekin Housing Group to understand expenditure on land and a meeting had been arranged with Finance to resolve issues. Information was awaited on the grant scheme element for the Hereford City Centre Improvement (HCCI) project and additional information had been requested on the Integrated Construction Wetlands (ICW) project. KM asked NA to forward emails for the ICW project to review outstanding information.</p> <p>h) NMiTE</p> <ul style="list-style-type: none"> <li>- Phase 1 - update on variation</li> </ul> <p>Discussed under agenda item 6 e)</p> <ul style="list-style-type: none"> <li>- Phase 2 – update on current position</li> </ul> <p>The LGF funds for Phase 2 had been transferred to Herefordshire Council and progress reports were being received.</p> <p>i) South Wye Transport Package – Update</p> <p>JW had provided a Board paper setting out a letter from the Accountable Body to Herefordshire Council with a deadline to respond by 2<sup>nd</sup> October. A response had been received. The Accountable Body and LEP were seeking legal advice on next steps including the option to consider mediation.</p> <p>j) MCMT – Update on Novation of Contract to In-Comm</p> <p>The LEP and Accountable Body had been working with In-Comm as the single shareholder and a proposal had been sent to MCMT. In-Comm would take responsibility for delivering the remaining outputs. There had been slippage due to Covid and In-Comm had requested a 12 month extension to complete delivery of outputs in full. A plan was in place to relocate part of the equipment to the School of Engineering in Telford run by the University of Wolverhampton and part of the kit to Shropshire. The plan had the support of the Vice Chancellor of the University and colleagues at Shropshire Council and the equipment was due to be relocated this month but training would be delivered virtually for the time being.</p> <p>In response to questions from the Chair about the robustness of In-Comm, GH replied that Due Diligence had been carried out on the organisation, Shropshire Council had reviewed the accounts and the kit had been valued. The LEP was now waiting for the response to the proposal and the business case would be ready to come to the LEP Chair and PRMC/Deputy Chair.</p>	<p><b>NA</b></p>
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	<p>k) Marches Investment Funds (MIF)</p> <ul style="list-style-type: none"> <li>- strategic tourism and business initiatives</li> </ul> <p>GH had reported to the Board on the MIF funding allocated to the local authorities. An overview on progress would be taken to the LEP Board on 24 November.</p> <ul style="list-style-type: none"> <li>- Shell Store Agreement</li> </ul> <p>NA reported that the agreement was close to be finalised and would be addressed over the coming weeks. GH updated that the Shell Store would be ready to open in January 2021. SR alerted the group to the video of the Shell Store on the LEP website.</p>	
<b>7</b>	<p><b>Any other business</b></p> <p>None</p>	
<b>8</b>	<p><b>Date of next meeting:</b></p> <p>Thursday, 17<sup>th</sup> December 2020, 2pm-4pm. Virtual.</p>	