

## MARCHES LEP LTD BOARD MEETING PAPER

<b>Meeting date:</b>	28 September 2021				
<b>Agenda Item:</b>	9				
<b>Item Subject:</b>	Report from the Performance Risk & Monitoring Committee (PRMC) meeting on 26 August 2021				
<b>For:</b>	<b>Discussion</b>		<b>Decision</b>		<b>Information</b> <b>X</b>

**Purpose of the Paper:** To report on the PRMC meeting on 26 August 2021 and highlight the main changes to the Strategic and Programme Risk Registers.

**Summary of Recommendations:** That Board members take note of the outcomes of the last PRMC meeting on 26 August 2021 and the main changes to the Strategic and Programme Risk Registers.

### Summary of PRMC meeting on 26 August 2021

- In the Strategic Risk Register, several risks had been amended to reflect the current controls to procedures: risk 1.4 relating to the Scheme of Delegation; risk 2.4 relating to LEP funding; and risk 6.4 relating to changes to government policy regarding LEPs. A new risk, 2.8, had been added in relation to Local Authorities' funding contributions towards the Marches Growth Hubs. Please see pages 2-3 below for details.
- In the Programme Risk Register two new risks had been added (risk 3.20, relating to the Oxon Link Road project and risk 3.21, relating to the Hereford City Centre Improvements project) and one risk, 3.18, relating to the Integrated Construction Wetlands project had been updated. Please see pages 3-4 below for details.
- PRMC had carried out a first assessment of its own effectiveness, against general principles of good governance and its own Terms of Reference (TORs). Overall, feedback received was positive although some areas of improvement had been highlighted. PRMC agreed that any further work should be kept on hold until the outcome of the LEP Review was known.
- Only 50% of the £500k LEP core funding for financial year 2021/22 had been received but uncertainty remained around the outstanding £250k. Shropshire Council finance team were calculating how long Marches LEP's reserves and budget would allow the LEP to be viable for, if no further funding was received. The uncertain situation was impacting on future planning and staff's morale and wellbeing. PRMC suggested that the LEP Board should discuss an outplacement programme and severance package to be available for staff.
- An Emergency Board meeting would decide the project funding allocation for the returned LGF Funds (this took place on 7<sup>th</sup> September). The LEP Programme team were continuing to monitor Freedoms and Flexibilities, outputs and match funding. LGF reporting was also taking place bi-annually rather than every quarter. GBF would continue to be reported quarterly.
- Oxon Link Road project had spent all of its LGF funds. However, the LEP Programme Team had not received updates on the project merger and impact on delivery so were unclear on the delivery of the project and its ability to deliver contracted outputs.
- On Getting Building Fund (GBF), the spend generated in Q1 2021/22 was from Pride Hill Remodelling and Skylon Park. Tackling Fuel Poverty had yet to receive any grant payment this financial year due to the variation of their funding agreement, which was expected to be sealed imminently. Once finalised, this would allow expenditure relating to the new homes to be processed. Stronger Communities utilised Freedoms and

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Flexibilities during last financial year which meant they had shown no spend in 2021/22 as claims submitted this financial year needed to cancel out Freedoms and Flexibilities values before further spend could be reported. Progress on this was being monitored through monthly progress reports and visits.

- Herefordshire Council had confirmed that an update on the Hereford City Centre Improvement Works (HCCI) project, including delivery and timescales, would be provided once they had a confirmed position from their elected members. In relation to the Integrated Construction Wetlands, the LEP had not received the information requested on updated milestones, outputs and delivery timescales. The LEP had set a deadline of 17<sup>th</sup> September 2021 for a solution to be found for both projects in preparation for the September LEP Board meeting.
- The funding agreement for Peer Networks was in place. A delivery partner had been secured through open tender. The delivery team were recruiting participants for the scheme. Recruitment was behind profile nationally.
- Delivery of the Key Account Management project was behind schedule. This had been raised at the Marches LEP Operations Group Meeting on 6<sup>th</sup> July 2021. Additional resource had since been added to assist with delivery in Herefordshire and Shropshire.
- £75k Skills Advisory Panel funding had been secured for capacity in data and intelligence and research work.
- On Skylon Park, from March 2020, there had been a 12-month hiatus on construction and land sales due to the pandemic. Purchasing was now back on track. Growth Deal funding had meant that more land was available and there were some interested purchasers for this. The Shell Store was opening in stages through to October 2021. Land values had gone up by approximately 25% since Skylon Park had been in operation. Due to the rise in cost of construction materials, extra costs have been factored into the builds of the projects within Skylon Park.

### Risks table score key based on likelihood and impact

Low		Medium		High	
1	2	3	4	5	9

### New Risks added to the Strategic (S) Risk Register:

<b>Risk No</b>	<b>S2.8</b>	<b>Date Added</b>	<b>17 August 2021</b>
<b>Risk Description</b>	Reduction of Marches Growth Hub (MGH) funding contributions from local authorities.		
<b>Risk Rating</b>	<b>6</b>	<b>Target Score</b>	<b>4</b>
<b>Risk Mitigation</b>	Ongoing discussions with local authorities about their contributions towards the MGH, especially in light of budget challenges.		

### Main amendments to the Strategic (S) Risk Register:

<b>Risk No</b>	<b>S1.4</b>	<b>Date Last Reviewed</b>	<b>17 August 2021</b>
<b>Risk Description</b>	Decisions cannot be made in a timely manner due to frequency and workload of the LEP Board.		
<b>Risk Rating</b>	<b>3</b>	<b>Target Score</b>	<b>2</b>

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<b>Risk Mitigation</b>	The LEP Board meets on a bi-monthly basis. Programme is managed by exception through a scheme of delegation which was signed off by the LEP Board in July 2015 and reapproved in May 2021 following changes to the LEP CEO's financial delegated authority. The Scheme of Delegation was amended again in July 2021 to include contingency arrangements in the event of prolonged absence of the CEO.		
<b>Risk No</b>	<b>S2.4</b>	<b>Date Last Reviewed</b>	<b>17 August 2021</b>
<b>Risk Description</b>	Lack of or reduced funding available.		
<b>Risk Rating</b>	<b>9</b>	<b>Target Score</b>	<b>4</b>
<b>Risk Mitigation</b>	Uncertainty around the LEP Core grant funding for financial year 2021/22 was raised as a major risk at the Marches LEP Board meeting on 25th May 2021. This was due to delays at Treasury's end and affects all LEPs. A first instalment of £250k core funding (50% of the total) to cover the first 6 months of fy 21/22 was received in August. Unclarity exists with regards to the remaining of the funding.		
<b>Risk No</b>	<b>S6.4</b>	<b>Date Last Reviewed</b>	<b>17 August 2021</b>
<b>Risk Description</b>	Changes to Government policy regarding LEPs.		
<b>Risk Rating</b>	<b>9</b>	<b>Target Score</b>	<b>4</b>
<b>Risk Mitigation</b>	The LEP has implemented changes in line with Government policy set out in the 'Governance & Transparency Best Practice Guidance Paper' (January 2018) and the 'Strengthened Local Enterprise Partnerships' paper (July 2018). The LEP became a company limited by guarantee in February 2019. The Ministry of Housing, Communities and Local Government is currently conducting a review on the future role of LEPs. A statement on the work carried out so far was issued before the Summer recess. Final outcome of the review is expected to be announced as part of the Levelling Up White Paper in the Autumn. It is expected that in the future LEPs' work will focus primarily on skills and business support.		

### New Risks added to the Programme (P) Risk Register:

<b>Risk No</b>	<b>P3.20</b>	<b>Date Added</b>	<b>August 2021</b>
<b>Risk Description</b>	Proposed merger of the Oxon Link Road with the Shrewsbury North West Relief Road (SNWRR) may impact on milestones and delivery of outputs.		
<b>Risk Rating</b>	<b>6</b>	<b>Target Score</b>	<b>2</b>
<b>Risk Mitigation</b>	At the 7 November 2019 Emergency LEP Board meeting a decision was taken to approve the proposal put forward by Shropshire Council to merge the existing Oxon Link Road scheme with the Shrewsbury North West Relief Road (SNWRR). Following meetings with Legal Services (Accountable Body) it was deemed fulfilling the request to merge the projects into one LEP Funding Agreement would not to be in the best interests of either party, exposing both to unnecessary risk. It has been formally agreed (set out in monitoring visits) that the Project Officer would provide the LEP with the latest updates to the Board on the approach being taken to deliver the OLR and its links to the SNWRR, including revised milestones. The LEP have attempted to obtain the requested information, which has not been provided to date. The lack of clarity		

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	around the delivery of this project (milestones, outputs, match funding) presents a risk to the LGF Programme.		
<b>Risk No</b>	<b>P3.21</b>	<b>Date Added</b>	<b>August 2021</b>
<b>Risk Description</b>	The Hereford City Centre Improvements project may not spend their Freedoms and Flexibilities or Overall GBF Grant allocation by 31 March 2022.		
<b>Risk Rating</b>	<b>6</b>		<b>2</b>
<b>Risk Mitigation</b>	In order to mitigate risk, a variation was prepared in March 21 for the project to utilise £1,389,000 of freedoms and flexibilities for allocated spend in 2020/21 Financial Year (FY). A further request was made by the project for the utilisation of freedoms and flexibilities for their 2021/22 FY allocation - extending the project into 2022/23 FY. A Funding Variation was prepared and sent to the project on the 17 June 2021, with a deadline for comments and associated information to be provided by 24th June 2021. This was not received. A meeting between the LEP and Herefordshire Council was held on the 9th August 2021 to determine a way forward, the LEP requested all outstanding information would be provided by 17 August - at the time of writing (19/08/2021) this has not been provided. Following discussions with the LEP Chair, Vice-Chair and Pre-PRMC members it has been agreed that a solution would need to be found by 17 September 2021, in preparation for the 28 September LEP Board Meeting - mitigating risk to the LEP and the GBF Programme.		

### Main amendments to the Programme (P) Risk Register:

<b>Risk No</b>	<b>P3.18</b>	<b>Date Added</b>	<b>August 2021</b>
<b>Risk Description</b>	The Integrated Construction Wetlands project is unable to negotiate the purchasing of land from owners, impacting on its ability to meet GBF spend commitments by 31 March 2022.		
<b>Risk Rating</b>	<b>6</b>	<b>Target Score</b>	<b>2</b>
<b>Risk Mitigation</b>	The information to be provided by Herefordshire Council as set out on 12 May 2021 remains outstanding. The LEP's records show that claims/monitoring forms have not been submitted since 12 April 2021 and to date no funds have been claimed by the project. At a meeting held with Herefordshire Council on the 9 August, the LEP requested an updated claim/progress report covering the periods missed as well as the outstanding information as set out on 12 May 2021 - including updated project finances, milestones (progress on land acquisitions, planning permissions etc) and outputs, enabling a revised funding agreement to be drafted. The LEP are keen to work with the Council to understand the current position and gain assurances on their ability to spend £1,000,000 by 31st March 2022. Following the meeting the LEP requested all outstanding information be provided by COP on 17 August - at the time of writing (19/08/2021) this has not been provided. Following discussions with the LEP Chair, Vice-Chair and Pre-PRMC members it has been agreed that an agreed solution would need to be found by 17 September 2021, in preparation for the 28 September LEP Board Meeting - mitigating risk to the LEP and the GBF Programme.		

**Risks to be noted by the LEP Board in the short term from a PRMC's perspective:**

- The Government continues its review on the future role of the LEPs. Final outcomes of the review are expected to be published in the Autumn as part of the Levelling-up White Paper.
- Only 50% of the £500k LEP core funding for financial year 2021/22 has been received but uncertainty remains around the remaining £250k. As part of the LEP's Mid-Year Review, data relating to staffing, finance and core funding has been submitted. As we understand, this information will inform future core funding decisions and the LEPs review.

**Financial implications:** The LEP needs to monitor risks to the projects accurately and ensure these do not impact negatively on its performance.

**Legal implications:** None

**Risks, opportunities and impacts:** Uncertainties around future LEP funding is an area of great concern and may impact on the capacity of the LEP to fulfil its future obligations.

**Equality implications:** None

**Additional information/ attachments:**

1. [Strategic Risk Register](#)
2. [Programme Risk Register](#)

**Background papers/documents:** None

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