

Draft Minutes of HotSW LEP CIC Board Meeting
13 October 2023
from
9.30 am – 11.30am in person at
in person at
South West Academic Health Science Network, Vantage Point,
Pynes Hill, Exeter EX2 5FD

Board Attendees:

Cllr David Woan- Associate Lead Member for Economic Development & Inward Investment Somerset Council (DW)
Jane Dumeresque – Non-Exec Director (JD)
Prof. Judith Petts CBE– Vice-Chancellor & Chief Executive, University of Plymouth (JPetts)
Karl Tucker – Chair HotSW LEP and Chair Yeo Valley Farms Ltd and Yeo Valley Ltd (KT)
Lisa Tuck - Divisional Director Economy, Environment & Infrastructure, Pride in Place, Torbay Council, as alternate for Cllr David Thomas (LT)
Mark Bolton – Principal & CEO, Yeovil College (MB)
Paul Coles – CEO, SWBC (PColes)
Paul Crawford – Chief Executive, LiveWest (PCrawford)
Cllr Phil Bialyk – Leader of Exeter City Council (PB)
Richard Stevens – Managing Director, Go South West (RS)
Cllr Rufus Gilbert -Cabinet Member for Economy and Skills, Devon County Council (RG)
Stuart Brocklehurst – Deputy Vice-Chancellor for Business Engagement and Innovation, University of Exeter(SB)
Cllr Tudor Evans – Leader of Plymouth City Council (TE)
Vince Flower – Non-Exec Director (VF)

Officers in attendance:

Amanda Ratsey - Head of Economy, Enterprise & Employment
David Ralph – Chief Executive, HotSW LEP (DR)
Eifion Jones – COO, HotSW LEP (EJ)
Janet Powell – Executive Assistant, HotSW LEP (for minutes) (JP)
Jason Vaughan – Director of Finance, Somerset Council (JV)
Jo Currie – Finance Representative for HotSW LEP, Somerset Council (JC)
Keri Denton - Head of Economy & Enterprise, Devon County Council (KD), accompanying Cllr Rufus Gilbert
Paul Hickson - Lead director: Service Director of Economy, Employment and Planning, Somerset Council, accompanying Cllr David Woan
Suzanne Bond - Area Lead – Heart of the South West, Cities and Local Growth Unit - South West (SBond)

Others in attendance for the presentation on the HotSW Impact Report

Gareth Hardisty – Hardisty Jones Associates

Apologies:

David Bird, Isca Ventures LLP (DB)

Cllr David Thomas – Leader of Torbay Council (DT)

Helen Higgs - Head of Construction Skills Capability, EDF Nuclear New Build, EDF (HH)

Cllr Ros Wyke - Lead Executive Member for Economic Development, Planning & Assets,
Somerset Council (RW)

Anne Marie Morris, MP representing Devon MPs (AMM)

Ben Bradshaw, MP representing Devon MPs (BB)

Marcus Fysh, MP representing Somerset MPs (MF)

Paper	Decision	Decision agreed
7. Chief Executive's Report	<p>i) Note ongoing Expenditure commitments for 24/25 re Local Growth Programme</p> <p>ii) Agree to receive a draft Budget setting out ongoing operational budget financial commitments for 24/25 setting out the financial commitments against income/reserves</p> <p>iii) Agree to the Annual Accounts for 22/23</p> <p>iv) Agree on any decisions referred from OIC</p>	<p>The Board noted these.</p> <p>The Board agreed for a draft budget to be presented at the January Board meeting detailing ongoing commitments and to include details of any defrayed expenditure so that decisions can be made on expenditure going forward.</p> <p>The Board agreed these</p>
8. Build Back Better	The Board notes progress.	The Board noted and requested if any queries to CG.
9a) Mobile Boost Extension	<p>The Board is asked to agree to the following recommendation from OIC:</p> <p>i. To further extend the Mobile Boost scheme using Local Growth Deal funding totalling £437,480.</p> <p>ii. In the event that demand for the Mobile Boost scheme exceeds £437,480, to reallocate any remaining Local Growth Deal underspend to the</p>	The Board agreed with both decisions with the caveat that funding does not go to those areas that already have decent

	Mobile Boost scheme and delegate this decision to OIC.	broadband speed connectivity.
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Agenda	Action
<p>1. Welcome & Apologies Apologies as above.</p> <p>NB No – one was volunteered to fill in the Board effectiveness meeting review form on this occasion.</p>	
<p>2. Declarations of interest All Board Directors submit yearly annual submission declarations of interest forms. Only those conflicts of interest over and above those already declared are required to be raised. Further declarations were raised under an additional item proposed under AOB for Exeter Science Park funding. JD/ & PB – are all directors of ESPL RG – Cllr at Devon County Council who are ESPL shareholders and a guarantor of the LEP loan at Exeter Science Park PColes – ESPL are MEMBERS of SWBC and therefore contribute financially. SB - Exeter University is an ESPL shareholder and guarantor of the ESPL loan.</p>	
<p>3. A little bit of Culture RS read from a famous inspirational poem 'Be the Best' by Douglas Malloch</p>	
<p>4. Draft minutes of 14 July 2023 Board meeting and actions arising</p> <p>C/F Action: To assist the move through the transition from a business-led model to a local authority-led model, it would be useful for the LEP to have a SWOTs analysis from the authorities to help understand the implications. Also, a stakeholder plan ahead of determining structures to understand how this will be progressed. Not progressed, awaiting the transition plan from Somerset Council.</p> <p>C/F Action: circulate the workforce capacity report completed by the Net Zero Energy Hub and convene a call with Helen Higgs (keen to draw upon national work in this area) and other interested parties on NetZero skills. The report has not been published yet, work has started on collating NetZero skills (SB has also done some work here) and an update will be provided at the next Board meeting.</p> <p>C/F Action: To convene a Board discussion at the next Deep Dive Session focusing on the issues around the delivery of NetZero, the long-term challenges around skills, the supply chain and what the role is of the LEP or potential Devolution deal to support businesses in the longterm. The Clean Growth Charter has been incorporated into the Build Back Better Plan. This will be carried forward for discussion at the January 2024 Board meeting and to reflect this through a Great South West lens whilst also taking into account the amalgamation of differing NetZero reports.</p>	<p>DR/LAs</p> <p>DR/HH</p> <p>DR</p>

<p>C/F Action: write to the National Infrastructure Commission about the issues arising for NetZero infrastructure. DR has emailed them to ask who the most appropriate person is to address this with.</p> <p>All other c/f items and outstanding actions have been completed.</p> <p>Action: 1 amendments for the 14 July minutes:- Page 5 typo under Transition heading, first line should read unanswered not answered.</p> <p>All other minutes were taken as accurate.</p>	<p>DR</p>
<p>5. Questions from the public None.</p>	
<p>6. Presentation on HotSW Impact Report – Gareth Jones, Director, Hardisty Jones & Associates</p> <p>An updated slide deck was shown showing emerging results from the interim report (re-attached for information as there were some typos in the original deck circulated to Board members). It covered an introduction to the Growing Places Fund, Local Growth Fund and Getting Building Fund their original objectives and the four themes, costs and benefits to date and costs and benefits overall.</p> <p>It was explained that the investments take time to reap the benefits but that these will continue to rise in future years and there is always a time lag when delivering jobs etc. Bids are always over-optimistic at the beginning and although initial forecasts were higher the underlying data shows very good value for money. By far the biggest investments were in infrastructure which brings the greatest benefits over the long term. The benefits for projects were forecast to 2033 and are cautious ones and are based on project reporting so far. Six or seven projects still need to contribute benefit outcomes, and this will help towards bridging the gap.</p> <p>Lessons learned:-</p> <ul style="list-style-type: none"> ➤ Need to be wary of over-optimistic bias for bids at the beginning ➤ Factor in slower outputs due to world, and national issues (i.e Covid) ➤ The exam question - are we making a difference? Research shows that these investments are ➤ Overall impact has been significant and need to understand what's worked ➤ The ability to manage the projects took longer to get to grips with but improved as there was more guidance and understanding of Gov't reporting processes <p>Action: To check and compare the impact data against the original bid outcomes.</p> <p>Action: The benefit-to-cost ratio is only focused on public money (which is what Gov't wanted reported) but the Board requested the need to factor in the private money in the final report.</p> <p>The final report will be available later this month. The Chair thanked Gareth for his presentation and work so far.</p>	<p>EJ/Har disty Jones EJ/ Hardist y Jones</p>

7. Chief Executive's report

DR reminded everyone that the LEP's AGM is being held after this meeting at noon and if anyone did not wish to stay on they would need to give their proxy vote to the Chair.

Unfortunately, not as much progress has been made on transition as hoped for and as this was currently the last face-to-face meeting for the LEP Board the CEO wanted to thank everyone for their support and commitment, sometimes going above and beyond with some members having dedicated 6 or 7 years worth of time and effort. It will also be Eifion's last meeting and he was personally thanked for his 7 years of performance, helpful collective memory and the value he has added to everything the Board wanted to do. He will be staying in the area but moving to take on a role within the Freeport at the beginning of November. In terms of responsibilities:- Claire will take over delivery and attend the Business Leadership Group, whilst DR will take on governance, accounts and the Operations and Investment Committee (OIC). This had been agreed with the Chair and Chair of OIC.

Appendix 1 – HotSW Annual CIC accounts

From previous years Directors will know that as a dormant company, NIL accounts are submitted to Companies House, however, there is a financial statement published within the Annual Report (AR) which shows where the funding has been defrayed. Overall, this shows that the LEP has invested money in good areas to enable growth, with a recent emphasis on NetZero and Digital projects and in terms of outputs HotSW LEP projects are doing well compared to other LEP area the 2025 targets looks unrealistic although projects are still however reporting and forecasting they will be achieved. Through transition, it will be important to continue to manage and monitor performance robustly to ensure these outputs are delivered going forward.

Within the Local Growth Fund (LGF) there remains £300k unallocated and approx. £10m left to defray (the largest of which is for Connecting, Devon and Cornwall (CDS). Next year there should be £4/5m left to defray which will need to be managed, monitored and therefore factored into any transition arrangements. There was a query about possible Gov't clawback. However, all funding has been drawn down and is being managed through freedom and flexibilities. The AB confirmed therefore that clawback was deemed a minimal risk and that ultimately some capital projects will further slip. The point was made that after Transition – 'people will be marking their own homework' and should this perhaps be avoided.

Action: to add a narrative/ explanation to the Annual Report) around projects not meeting targets and to contextualise the background to this around the challenges of delivering funds for economic growth. The amended AR has been replaced on the LEP's website and is attached for information. This has since been completed and this item is now closed.

EJ

Decision: The Board agreed to sign off the annual accounts and the Annual Report (with a caveat that a narrative would be added to the AR as above.)

Appendix 2 – LEP response to transition letter from Accountable Body

More guidance is anticipated from Gov't at the end of the month (Oct) and the Local Authorities (LAs) are now expected to submit transition plans by the end of November, a deadline not yet confirmed by Gov't and only communicated just before the Board meeting.

A steer is required for the Board in a couple of areas;-

- To be able to sign off funding commitments for work/projects for 2024 – 2025 via OIC i.e LGF needs to continue to deliver; the ability to match funding for the Growth Hub, Careers Hub support
- The transfer of any assets
- The challenge of funding activity to manage staff during transition

The LEP Board has consistently indicated its commitment to an orderly transition as quickly as possible.

A point of clarification was made that whilst in some circles it is thought that LEPs have to close by 1 April 2024, this is not mandated by Gov't. Indeed most LEPs are continuing in some form or another beyond April 1 2024 i.e. Cornwall and the Isles of Scilly and Dorset LEPs. Some LEPs will carry on as they have no clear path to devolution, some will continue to operate under the 'ownership' of an LA, and some like the HotSW LEP as an incorporated CIC and disaggregating will be very complicated to sort out. In its current guidance, Gov't requires decisions on transition of LEP functions, assets, etc by the end of March 2024 but recognises that the actual transfer of these may go beyond that date. Although requested, officers haven't received any options assessment or SWOT analysis on which model achieves the most orderly transition. Indeed, with uncertainty around devolution geography, the long-term disaggregation of any transition remains unclear.

The transition plan needs to be progressed at pace and determine how functions will transfer to the LAs. The practicalities of managing 24/25 LGF spending also need working through, e.g. it would not seem realistic for Gov't to have to work with a HotSW transition plan which splits the programme and so leads to 4 different assurance frameworks, 4 lots of reporting back to Govt, multiple novation of contracts, etc.

Several Board Directors expressed surprise there was no transition plan in place yet, however, it was pointed out that this lies with LAs to produce and is not within the LEP's gift and certainly the Chair emphasised there was no desire by the LEP to hold things up. Regardless of whether there was a Devon, Plymouth Torbay devolution deal or not it is clear Gov't wants the functions of the LEP to transfer to LAs.

The CEO pointed out that his responsibility was to advise and to ensure Directors act legally from a CIC perspective particularly when it comes to LEP assets, liabilities and staff so that Directors are not exposed in the future to anything that is deemed non-compliant with their Articles. Decisions however rested with the Directors.

The discussion was opened up and this section took the majority of the time during the Board meeting but it was felt important to let this run to air queries and aid Board member's understanding and confirm some principles/ actions to move forward.

- LA's had confirmed their desire for transition to be completed by the end of March
- It has not been made clear to the LEP by LAs what the role of the LEP is through transition
- It is not yet clear whether the LEP is closing or not and what the duties and responsibilities of Directors going forward are and whether they can still make decisions
- The implications of the LEP's CIC status are also not clear. Whilst transition plans were the

responsibility of Local Authorities, the Technical Guidance indicates that assets are the responsibility of the LEP and Accountable Body.	
Action: Whilst Somerset Council is in the process of preparing a transition plan, the Board requested a chronological timeframe detailing the Board members' responsibilities, what steps need to be taken and by when the spending commitments and who has the authority to make decisions going forward on what. (NB Gov't has requested plans by the end of November).	JV
It was agreed that the transition plan would come back to the LEP Board before submission for an opportunity for their comments to be included and the ability to sense check this with members to ensure everyone understands the timelines etc.	JV
<ul style="list-style-type: none"> ➤ The LEP Network is undertaking some work to see if it can obtain any legal waivers on LEP Director responsibilities (however Ministers may come back and say it has nothing to do with them) ➤ The Accountable Body confirmed that the LEP has sufficient funds to discharge its liabilities 	
Action: LA Leaders and CEOs need to confirm in writing to Somerset Council what LEP functions they wish to be transferred from 1 April.	LAs to JV
<ul style="list-style-type: none"> ➤ The query arose as to whether the OIC (who advises the Board) can continue to make decisions on grants/loans and bids as this is their primary purpose and their day-to-day business, otherwise, it would be pointless to continue. 	
Action: It was agreed that the OIC could still make decisions on expenditure but that if there were implications on funding beyond April 24 they should be referred to the Board	JV/DR
<ul style="list-style-type: none"> ➤ It was felt that legal direction was required from Gov't on decision making, however, the AB confirmed that whilst nothing had changed and whilst the LEP is still functioning, provided a meeting was quorate then the Board should be able to continue to ratify OIC recommendations and decisions. ➤ The transition principles are that the funding agreements sit with the Accountable Body – therefore can the Accountable Body tell the LEP what it can and can't spend money on? The response from the Accountable Body was that nothing has changed, provided the LEP makes good decisions (which the Accountable Body checks) then the LEP can continue to make decisions, therefore OIC can continue. ➤ How will conflicts of interest in decision-making be managed between public and private Partnerships? 	
Action: At the Board member's request – to convene an additional face-to-face LEP Board meeting toward the end of November to continue to discuss transition, when it is expected an indicative transition plan will be available.	KT/DR & JP
Action: Unless the Board decides otherwise, OIC continues with its existing remit though any new funding into 24/25, outside existing agreements will need to come to the LEP Board for a decision.	DR/JV

<p>Decisions: The Board noted ongoing Expenditure commitments for 24/25 re Local Growth Programme and agreed on a draft budget to be presented at the January Board meeting setting out operational budget funding commitments for 24- 25 and financial commitments against income/reserves including details of any defrayed expenditure so that decisions can be made on expenditure going forward.</p> <p><u>The discussion then continued onto the assets of the LEP – do these belong to the LEP or the Accountable Body which prompted further comments:-</u></p> <ul style="list-style-type: none"> ➤ The LEP Network has been asked for advice on CICs ➤ Any CIC assets transferred to another organisation at less than market value need to meet the requirements of a CIC i.e the principle being that they are being used on behalf of the whole community and not favouring any particular organisation or Member ➤ Permission should be sought from the Regulator ➤ The Accountable Body stated the assets sit on Somerset Council’s balance sheet with the principle that they manage the assets on behalf of the LEP. Their opinion is that the assets therefore sit with Somerset Council, not the LEP ➤ Members asked for legal advice that supports this as The LEP Articles of Association clearly state the restrictions on transfers of LEP assets and the Assurance Framework indicates that the Partnership is delivered through the CIC. ➤ Some board members noted that the CIC each year signs off accounts showing it having zero assets, and was about to do so again. ➤ Some board members agreed the assets appeared to be owned by Somerset Council, not the LEP but were they being held on behalf of the LEP ➤ Other board members agreed that the Regulator should be consulted upon a statement of intent concerning the assets position above to check they were comfortable with any agreed approach. Several Board members felt it was beneficial to get the Regulator's agreement in advance of the proposed treatment of assets in transition ➤ The CEO reminded everyone his role was to ensure the LEP or its’ members were not open to future legal challenges further down the line and therefore thought the Regulator should be consulted <p>Action: Board members agreed that the LEP should draft a letter to the CIC Regulator ASAP (checked by the Board before sending it out) with a statement of intent ref the assets and to ascertain the length of time it takes them to respond to this and any future advice should it feel it was required.</p>	<p>DR/ Board</p>
<p>8. Build Back Better & Performance updates + risk register</p> <p>Plus verbal updates:-</p> <ul style="list-style-type: none"> • Business Leadership Group – Richard Stevens • Skills Advisory Panel – Vince Flower • Inclusive Growth – Paul Crawford <p>Due to agenda item 7 taking up so much of the Board’s time, this section was missed.</p> <p>Action: BBB and the Risk Register were for noting – any further queries or comments to be raised to CG.</p>	<p>All /CG</p>

<p>➤ It was highlighted to the Board that they need to be aware that the transition process is rated as high risk. Any further risks would need to be shown on an updated risk register brought to a November Board meeting.</p> <p>Action: RS/VF/PC to provide some written updates to the Board instead. Notes are provided as an addition to these minutes (see attached). <u>This item is now closed.</u></p>	<p>RS/VF/ PCrawf ord</p>
<p>9. Updates from the Chair of the Operational Committee (all commercially confidential) Owing to lack of time the Board moved to consider the three decisions below:-</p> <ul style="list-style-type: none"> a) Cover paper on mobile boost extension (1 x paper) b) Mobile boost extension for OIC (1 x paper) c) Mobile boost extension for OIC Annex A (1 x paper) <p>The Board also received a verbal update on the progress of the unallocated LGF; Notionally, £400k had been earmarked for Science Parks & Innovation Centres, £400k for low carbon business support provided via local authorities and to complement Shared Prosperity Fund provision and £200k to support local authorities in developing business cases for future low carbon projects.</p> <ul style="list-style-type: none"> • The science park strand has received applications from Plymouth Science Park and EPIC and OIC have agreed to those. Further applications are expected from Exeter Science Park and Somerset innovation centres and the full £400k is expected to be allocated to these • Local authorities have applied for £298k of low carbon grant support; Plymouth, Torbay and South Hams opted not to apply, but all other authorities did with awards based on the share of SMEs. The additional funding now available is being offered to the science parks & innovation centres • Owing to challenges capitalising project development money, no authorities opted to take up the business development funding – see mobile boost below <p>Decisions – The board agreed the following 3 decisions:-</p> <ul style="list-style-type: none"> 1) To further extend the Mobile Boost scheme using Local Growth Deal totalling £437,480. 2) In the event that demand for the Mobile Boost scheme exceeds £437,480, to reallocate any remaining Local Growth Deal underspend to the Mobile Boost scheme and delegate this decision to OIC. <p>With the caveat that funding does not go to those areas that already have decent broadband speed connectivity.</p> <ul style="list-style-type: none"> 3) LGF Low carbon grant awards to local authorities which spend in 24/25 were agreed 	
<p>10. AOB <i>(the point below is noted as commercially confidential)</i> JD – to draw the Board’s attention to a governance issue concerning the Growing Places Fund loan to Exeter Science Park (ESP). This is due for repayment by the end of October and if ESP are unable to pay, the loan is guaranteed by the University of Exeter and Devon County Council.</p> <p>ESP has been seeking a deferral of repayment for some time. In response to a recent letter from ESP, the LEP replied stating that the loan remained payable by the end of October as per the current agreement. Given the potential financial impact on ESP, JD felt that, although personally</p>	

conflicted, the Board should be aware this is a decision with significant impact and therefore it is requested this is discussed by the Board before final recall letters go out to the guarantors. Noted that JD/PB/RG/KD/PColes/SB confirmed conflicts of interest vacated the room whilst this was discussed by the remaining Board members.

The Chair proceeded to give some background to this project explaining that 18 months ago ESP wrote to the LEP requesting the loan to be converted to a grant which was refused. In addition, via OIC the LEP had agreed principles of any revisions to loans to ensure a consistent approach across the programme as a whole and this had been forwarded to ESPL.

In December 2022, a series of meetings agreed the need for urgency in a way forward and explored several alternative options but no credible alternative plan had been brought forward to repay the loan other than by referring the loan to the guarantors.

Approx 2 months ago ESPL was sent the standard end-of-term letter and replied last month requesting an extension until the government's decision on a Devon Devolution Deal was forthcoming (however, a completion date for a devolution deal is currently unknown).

As a result of this request, the CEX consulted with the Chair of the LEP, Chair of OIC , other independent Directors on the OIC Board (who weren't conflicted) plus the Accountable Body and it was agreed to reject the proposal as at no point has ESP provided any credible repayment proposal to repay the loan over an alternative profile. As the matter related to an existing signed agreement and was consistent with the principles of the loan fund agreed previously by the Partnership and this was being implemented, it was considered there was no decision required of the Board and therefore the letter was sent out by the CEX.

ESPL felt that this should be a decision for the Board hence the discussion at this meeting.

NB's other Loans have been extended eg DC Homes and Millfields who previously requested extensions. These have both supplied credible and robust plans for repayment for which extensions have been granted. In agreeing on the business case for these loans, the Board agreed with specific mitigation that If ESP were unable to pay back the loan the University of Exeter and Devon County Council would step in as guarantors.

Whilst the ESP loan is an asset to the LEP it is also a liability for the Accountable Body. The remaining board members were of the view that any further extension without a credible repayment plan would just be 'kicking the can down the road' and the issue would still be the same therefore the loan should be repaid as required.

When put to the vote four board members (RS/P Crawford/VF/MB) out of the remaining Board members were in favour of awarding a short extension to the end of November for ESP to put in place a credible plan to show how the loan could be repaid otherwise the loan should be repaid and if ESP was unable to do so, the guarantors would be called upon to meet their obligations.

Action: For the Accountable Body and the LEP to write to ESP with the extension notice.

There was no further AOB.

J

V/EJ

An additional face-to-face LEP Board meeting is to be organised for late November 2023, venue Exeter TBC

LEP Board meeting – virtual 19 January 2024, 9.30am – 12.30pm