

D2N2 LOCAL ENTERPRISE PARTNERSHIP BOARD – AGENDA

Date: 31 August, 2023 (10am – 12 noon)

Venue: Pavilion building, Nottingham Trent University Clifton campus NG11 8NS (and hybrid using Teams link as circulated)

1.1	Welcome and Introductions	Elizabeth Fagan	Verbal	10.00
1.2	Declarations of Interest	Elizabeth Fagan	Verbal	10.03
1.3	Minutes from 08/06/23 and matters arising	Elizabeth Fagan	Paper for decision	10.05
2.	Strategic discussion			
2.1	Chair's report <ul style="list-style-type: none"> • East Midlands devolution latest • Careers Hub: results for 22/23 • Business Support landscape • East Midlands Hydrogen 	Elizabeth Fagan	Paper for discussion	10.10
2.2	Funding Programme updates <ul style="list-style-type: none"> • Early-Stage Angel Investment Fund • Low Carbon Growth Fund 	Tom Goshawk	Paper for information	10.30
2.3	Finance Update Report	Sarah Wainwright	Paper for information	10.40
2.4	Future LEP funding and remit	Will Morlidge	Paper for discussion	10.50
2.5	CEO's report <ul style="list-style-type: none"> • Planning for the AGM and annual report • Skills Bootcamps: new funding round • Local Skills Improvement Plan • Staffing news 	Will Morlidge	Paper for information	11.30
2.6	EXEMPT PAPER <ul style="list-style-type: none"> • Economic Growth Fund: recommended projects 	Tom Goshawk	Paper for decision	11.40
3.	AOB	All	Verbal	11.55
4.	Date of next meeting (followed by the AGM): 07 December 2023, Toyota Manufacturing UK, Burnaston, Derby			

Item 1.3: DRAFT Key Decision/Action Points from Board

D2N2 LOCAL ENTERPRISE PARTNERSHIP BOARD MEETING

Thursday 8 June 2023

BioCity Innovation Building, Pennyfoot Street, Nottingham NG1 1GF (and via Teams)

Chair Elizabeth Fagan CBE

Minutes Sally Hallam

Present and Apologies

D2N2 Board Members in Attendance

Dr Glenn Crocker MBE	Executive Director, The Pioneer Group
Tim Freeman	Deputy MD, Toyota UK
Cllr Keith Girling	Portfolio Holder, Nottinghamshire County Council
Natasha Johnson	Director of Partnerships, Global Entrepreneurs UK
Scott Knowles	CEO, East Midlands Chamber
Prof Edward Peck CBE	VC and President, Nottm Trent University
Tony Tinley	Regional Officer, Unite the Union
Liz Wigley	Area Lead Derby/Derbys, DBT

Apologies from Board Members

Graham Cartledge	Chairman, Handley House Ltd
Cllr Chris Emmas-Williams	Leader, Amber Valley Borough Council
Cllr David Mellen	Leader, Nottingham City Council
Cllr Carolyn Renwick	Portfolio Holder, Derbyshire County Council
Becky Rix	Marketing Director, Roadgas
Viv Russell	CEO, Minerals Products Qualifications Council
Cllr Baggy Shanker	Leader, Derby City Council
Mandie Stravino OBE	Principal and CEO, Derby College Group
David Williams	Chair, Geldards, Deputy Chair D2N2

Also in attendance

Chris Henning	Executive Director Place, Derbyshire County Council
Sarah Wainwright	Senior Finance Officer, Derbyshire County Council
Tom Whitlam	Area Co-ordinator, DBT

D2N2 Officer Support

Fiona Baker
Tom Goshawk
Lana Jay
Will Morlidge
Maureen Vieyra

1.1 Welcome and Introductions

The Chair welcomed all to the meeting.

1.2 Declarations of interest

No Declarations were made.

1.3 Minutes of last meeting and matters arising

The Minutes of the meeting on 9 March 2023 were confirmed as a true record.

2. Strategic Discussion Items

2.1 D2N2 Chair's Report

Elizabeth Fagan introduced the Chair's Report updating Members on significant developments since the last meeting and drew Members' attention to the detailed notes therein.

She invited Nicola Swaney to summarise the session hosted by D2N2 at UKREiif.

NS reported that work had been undertaken ahead of the event with Invest in Nottingham, Marketing Derby and Destination Chesterfield to promote this event, the aim of which was to highlight devolution opportunities and inward investment potential for the region. Our strength in collaboration, as well as working with the four upper tier authorities, meant that D2N2 was well-placed to present the best possible picture for the region.

Will Morlidge added that feedback on the success of the event had been very positive, but that steps were already under way to plan for an even better event next year. It was proposed to work under a combined authority banner for the event next time, while pulling in contributions from partners such as the Freeport.

The Chair welcomed the report of obvious productive engagement with the event.

On the Local Skills Improvement Plan (LSIP), Prof Peck felt that the process had been well run, with universities and FE colleges welcoming seeing an early draft and the focus on broad cross-cutting themes. As a university, NTU was looking to use this to guide provision in collaboration with FE locally.

Fiona Baker endorsed this, adding that particular efforts had been made to engage with a wide range of partners and stakeholders and positive initial feedback had been received from DfE.

Scott Knowles echoed endorsement of the LSIP process. He updated the Board on the Chamber-led LSIP work in Leicester and Leicestershire, which was launching its product at the same time as this meeting.

WM updated the group on feedback from the FE Principals' meeting, where there had been a range of views, including some areas feeling more focus could have been applied to place/sector. Overall, however, the FE colleges felt this was a helpful first LSIP which the region should build on.

On Freeport work, the Chair noted that after a challenging start and some delays, this appeared now to be in a good place to work on bringing more inward investment into the region. She appealed to Members to put themselves in behind the Freeport to support the overall regeneration of the economic region.

WM informed Members that he had attended a recent meeting with good representation from local authorities and businesses present. With the staff team for the Freeport now in place, partnership working was stronger than ever. Many bodies had remit for inward investment including the Freeport, DevCo, LAs, LEPs, government and investment promotion agencies. It was also assumed that there would be a key role for the EMMCCA on inward investment. Ensuring a consistent and powerful message from all East Midlands partners to our businesses, to government and to potential investors was vital. Those messages would need to be tailored at times to mean the additional inclusion of Leicestershire, Lincolnshire and Rutland where appropriate.

WM also confirmed that he was part of the working group on Investment Zones and invited Chris Henning to update Board on any progress with formalising the locations of potential sites.

CH confirmed ongoing discussions with DHLUC, with a senior level inception meeting scheduled for next week, having agreed a sector focus around clean- and green-tech. No sites had been formally agreed yet, but two were expected to be confirmed shortly.

WM spoke to the proposed East Midlands Hydrogen partnership, formed as a result of the Hydrogen Task Force. East Midlands Hydrogen was led by D2N2, Cadent and Uniper, with LLEP, Midlands Engine and Midlands Net Zero Hub also key partners.

Nicola Swaney confirmed details of the upcoming launch event for East Midlands Hydrogen, taking place on 22 September at Toyota. NS thanked Tim Freeman for agreeing to host this. The event would provide a forum for all key players to discuss production, storage and end-to-end business use of hydrogen. Board Members would all be receiving an invitation to attend.

Board **NOTED** the report.

2.2 Capital Programme Report

Tom Goshawk introduced his report updating Members on the D2N2 Capital Programme and recently introduced Economic Growth Fund, which had been created from the reallocated £2.6m Drakelow Park Getting Building Fund.

Minimum bids would be of £500k and projects must support economic growth in the D2N2 economy through the delivery of Jobs, Homes and Learners. Only one project per organisation would be permitted. Submissions were due to close on 23 June, with scoring taking place on the first week of July and applicants informed thereafter. Projects would be taken to a July Investment Board for approval before coming back to this Board for final sign off.

Board **NOTED** the report.

In the absence of public attending the meeting, the Chair asked Tony Tinley to give a confidential oral update to the group on recent discussions with DSF Refractories. Our recent meeting with DSF did not agree a solution. Further meetings would take place to try to find a mutually-acceptable way forward.

2.3 Finance Update Report

Sarah Wainwright introduced her report updating Board on draft accounts for 2022/23 and setting a deficit budget to be submitted for 2023/24, which would be covered by reserves. Commencement of audit work by HSKS Audit Ltd was still awaited.

The Chair reiterated that the LEP was in good shape, particularly in relation to some other LEPs which did not have similar levels of reserves. A reduced allocation of £250k had been notified by DHLUC and the expectation was that match-funding to 50% would be provided by the local authorities. Ongoing discussions were under way over this.

In response to a question from Prof Peck as to why such a large reserve had been held not spent, EF confirmed that previously most funding had come from grant monies, allowing a cash fund to build up and this had benefited from recent interest rates. The new combined authority would only come into being after appropriate legislation had been passed and if this did not happen before this summer's recess, the LEP would potentially need to operate for another year before joining any new structure.

Chris Henning confirmed that no update on timing for the legislation had been obtained from recent local authority contact with parliamentary representatives, although the importance of moving devolution along had been strongly re-stated.

Board **NOTED** the report.

2.4 Report on D2N2's role in inclusion

Before handing over to Natasha Johnson, WM prefaced this item with a reminder to Board that since the departure of the previous Board Member for inclusion, the Inclusion Group had been in abeyance. Additionally, ESF funding had been lost which had been a key contributor to our role on inclusion. The purpose of the requested discussion was to consider the role of inclusion within the LEP's work and whether there was also a role for the LEP in influencing the direction of the new EMMCCA.

Natasha Johnson informed Board of information-gathering work that she had undertaken to look at how other LEPs and CAs operated, noting that good practice had been seen in the West Midlands CA in particular.

Prof Peck voiced his support for inclusion, both in principle and in the way it should play out in practical decisions taken by the LEP. He referred NJ to a report, "Models for Inclusive Growth", that had previously been produced by NTU in collaboration with colleagues at Derby as a potentially useful starting point from which to build a refreshed strategy.

Elizabeth Fagan echoed support for considering growth within the concept of inclusive practice, as opposed to inclusion for the sake of it. Using the NTU report as a starting point, she asked Natasha Johnson and Tony Tinley if they would work together to look at re-setting a refreshed Inclusive Growth Advisory Board to hold other ABs to account.

Nicola Swaney drew attention to the need for social mobility to be part of the discussion, referencing material from the Derby Opportunity Area that could be accessed to support development work on this. She indicated that she would be happy to provide executive support to the Board Members in preparing a paper to bring to the next meeting.

Board **NOTED** the report and the proposed actions.

ACTION: Nicola Swaney to work with Tony Tinley and Natasha Johnson on development of a refreshed inclusion brief.

2.5 Updated Delivery Plan to 2025

WM introduced his paper on the revised version of the Delivery Plan.

He drew Members' attention to the detailed notes therein. Any additional comments were invited from the group.

Board **AGREED** a revised version of the Delivery Plan, subject to final clearance of minor changes by the Chair.

2.6 Chief Executive Officer's Report

WM introduced his report updating Members amongst other matters on skills work, including strong progress by the Careers Hub, increased partnership working between universities within D2N2 and joint work with the Freeport on inward investment.

Board **NOTED** the report with thanks.

2.7 EXEMPT item Early-Stage Angel Investment Fund

Tom Goshawk spoke to an exempt paper, updating Board members on preparations to launch the Early-Stage Angel Investment Fund.

Board **NOTED** the report.

3. Any Other Business

WM raised the need for confirmation of match-funding from the local authorities for the field-based Enterprise Co-ordinator posts, which was still outstanding. ERDF match funding for some posts would end in December, 2023 making the need for continued match from the LAs even more important.

Board **AGREED** that one further contact be made initially by the LEP CEO to the respective authorities, with escalation to the Chair if no response was received.

4. Date of Next Meeting

Date of next meeting Thursday 31 August 2023 (venue tbc)

DATE	31 August 2023
REPORT LEAD	Elizabeth Fagan
AGENDA ITEM	2.1

TITLE	Chair's Report
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1. INTRODUCTION

1.1 This report provides an update on key issues for discussion. There are no items for decision, but I would welcome a discussion on the implications of the recent Government announcement on LEP funding to support ongoing discussions between the team and our local authority partners.

2. RECOMMENDATION

2.1 The Board is asked to **NOTE** the report

3. KEY HIGHLIGHTS

3.1 Key Highlights summary:

- East Midlands devolution latest
- Careers Hub: results for 22/23
- Business Support landscape
- East Midlands Hydrogen

4. DEVOLUTION

4.1 Government's decision on future LEP funding

- On 4 August 2023, the government announced its decision on the future of LEP funding. In summary, LEPs will receive no core funding from the next financial year, although funding of up to £250k will be made to local or combined authorities as appropriate to sustain LEP functions through transition. The full announcement can be seen at: <https://www.gov.uk/government/publications/local-enterprise-partnerships-integration-of-lep-functions-into-local-democratic-institutions>.
- As we have clarity from current Government on direction of travel for LEPs, it will be important that we as a Board decide upon the future of D2N2 LEP, Following our initial discussion at the last Board meeting, I have asked Will Morlidge to prepare a paper to allow us to have a full discussion, given the facts as we know them, on our options with supporting financial detail.
- The future of the LEP is a Board decision given our accountabilities as directors of the company.

4.2 Working group engagement

- The Board has always backed the principle of devolution and the LEP team continues to support the preparatory work for devolution across many workstreams. These include supporting the work on *how* the MCA will work, such as developing assurance and investment frameworks and *what* the MCA will do such as the subgroups on business, skills and housing. We also

continue to support the *why* devolution through taking a leading role on the insight group which supports the thematic groups.

4.3 Stakeholder events

- On Friday 18 August Will attended the “Senior Stakeholder Engagement Event” hosted by our local authority partners, as I know did many officers supporting D2N2 board members. It would be interesting to hear feedback from anyone who attended.
- The next key stakeholder event takes place on 8 September when Derby will be hosting the “Town Hall Event” for senior officials involved in devolution. I’m pleased to hear that the Will, Fiona, Tom and Nicola, all of whom are involved in supporting the process, will be there to represent D2N2.
- I understand that the latest business briefing event being run by East Midlands Chamber took place on 22 August in High Peak. I would be very interested to hear how it went, and what colleagues have learned from the series as a whole.

5. PEOPLE AND SKILLS UPDATE

- Meeting date: 18th July 2023
- Chair: Edward Peck
- Next meeting date: 2023

5.1 Careers Hub

- I am pleased to be able to report that at the end of the 2022-23 Academic Year the D2N2 Careers Hub achieved all of their KPIs set by the Careers and Enterprise Company. Membership of the Hub now covers 100 per cent of all eligible schools across D2N2 As a result of their engagement with the 175 schools within the Careers Hub, 80.6% of the schools are now meeting Gatsby Benchmark 1, which means that they all have a Careers Strategy in place to ensure that young people across D2N2 benefit from increased opportunities to engage with employers and a better understanding of the career pathways available to them. The percentage achieved is 18% higher than the national average and in D2N2 has doubled since this time last year.
- The Careers Hub now has 96% of institutions achieving a minimum of three [Gatsby Benchmarks](#). This means that those schools with very little career provision when joining the Hub have seen rapid progress in building their careers provision on offer to young people. The target set by the Careers and Enterprise Company was 80% which we have over-achieved. In September 2021 this percentage sat at 35% demonstrating the value of the hub in ensuring overall progress across the themes of the benchmarks
- Within the D2N2 Hub 98% of institutions are matched with an employer volunteer (Enterprise Adviser), the national average match is 78% of institutions.
- Negotiations are already well underway to secure match funding for the 2024-2025 academic year, ensuring that young people across D2N2 continue to

benefit from improved careers guidance and opportunities to engage with employers.

5.2 LSIP/LSIF

- The [Local Skills Improvement Plan](#) produced by FSB was published on 11th August 2023. A group comprised of FE colleges and other providers led by Nottingham College is in the process of bidding for funding through the Local Skills Improvement Fund in response to the recommendations within the LSIP. James Swift, Director of Bids, Projects and Planning at Nottingham College, gave a presentation on the LSIF bid at the People and Skills Board.

5.3 Skills strategy

- The requirement for devolved authorities to meet the DfE readiness requirements in order to receive the devolved Adult Skills Budget includes the requirement for the development of a Strategic Skills Plan which builds on existing strategic documents such as the Local Skills Report and LSIP. D2N2 Head of People and Skills and Labour Market Analyst are providing resource and intelligence to support its development.

5.4 Connected Futures Fund

- A systems mapping workshop was held on 19th April 2023 for wider stakeholders to start to map the complexities young people face when navigating the multiple funding streams and influences impacting on their transition into work. This was followed on 24th June by a young persons and carers systems mapping workshop and a workshop for employers on 15th August.
- The D2N2 Connected Futures project has been awarded an additional £80K of Youth Futures Foundation funding to strengthen Youth Voice through the appointment of a Youth Coordinator and Youth Ambassador. These roles will further strengthen the project's aim of ownership by the young people themselves.

5.5 Skills Boot Camps

- The Department for Education (DfE) has confirmed that approval has been granted for Skills Bootcamps grant funding for local programmes in FY2024-25 (Wave 5). This means that Skills Bootcamp funding will be available to continue delivery beyond 31 March 2024, up to the end of the current Spending Review period (March 31 2025).
- DfE has also indicated that they will be expanding the national priority sectors to include Early Years and Creative Industries at levels 3-5 or equivalent.

6. BUSINESS AND INNOVATION UPDATE

- Meeting date: 22nd August 2023
- Stand-in Chair: Will Morlidge

- Next meeting date: 2023

6.1 New BGIAB chair

- I'm delighted that Tim Freeman has agreed to take up the role of chair of the Business Growth and Innovation Advisory Board. He succeeds Viv, to whom I extend my sincere thanks for his leadership and commitment to the role. I'm sure we all wish Tim the best in his new role during this exceptionally exciting time for the region's business support landscape.

6.2 Early-Stage Angel Investment Fund

- We have made real progress since the last Board, and Tom will update on the detail of the procurement process in his paper on funding programmes.

6.3 Business Support landscape

- The D2N2 Team are working currently to review and map the entire business support landscape across the region. This exercise is being carried out in light of recent changes to the support service offerings following the UKSPF funding rounds and the end of European Funding. The team will aim to produce a mapped out landscape of funding and support to make this easily accessible for businesses to use and to showcase the offering in preparation for the East Midlands County Combined Authority.

6.4 Innovation investment

- As the Board will remember, one of the arguments put forward for devolution was the chronic underinvestment in our region by Government in innovation and R&D. This was recognised at a national level in the Levelling Up White Paper which includes a commitment to increase domestic public investment in research and development outside the greater south east will increase by at least 40% by 2030.
- The latest HMT data show that public investment in R&D economic affairs in East Midlands reached £341.9 million. However, in comparative terms, it remains the lowest among English regions. Public expenditure on R&D economic affairs per head was over a quarter lower than the national average. Bridging this gap would require the public sector to invest an additional £46.6 million per year in D2N2 R&D affairs¹.
- In recent months the region (working in partnership with colleagues in Leicestershire) has been unsuccessful in a number of bids including:
 - Local Partnerships for Innovation in Place: boosting capacity to support place-based innovation in support of the EMMCCA
 - Place Based Impact Accelerator Account: Low Carbon
 - Place Based Impact Accelerator Account: MedTech
- However, it is not yet apparent that the Government's commitment to level up innovation funding is having an impact in our region.

¹ The estimates are based on the HM Treasury's Country and regional analysis of identifiable public sector expenditure, 2021-2022.

- I have asked Tom to ensure that, as part of the devolution work on innovation, we provide our local authority partners with the evidence they need to strike a deal with Innovate UK to deliver more equity and certainty over innovation funding for the region.

7. LOW CARBON

- Meeting date: 16th June 2023
- Chair: Tom Goshawk
- Next meeting date: 2023

7.1 LCGG/H2TF readout

- The Low Carbon Growth Group and Hydrogen Taskforce continue to meet to discuss strategic priorities for the region. The last meeting of the LCGG included presentations and partnering opportunities with the University of Nottingham and Nesta, an innovation agency who aim to deliver social outcomes through projects including low carbon. The partnership discussed their project which is monitoring websites in SME's to discuss potential productivity and energy-based issues surrounding websites.
- The meeting also heard from Progressive Energy who are leading the Peak Cluster decarbonisation project. Peak Cluster will utilise Carbon Capture in the minerals and aggregates industries to help decarbonise the sector. At present the scheme involves those parts of the region closest to the Irish Sea, under which the carbon will be sequestered, but we are of course in discussion with colleagues about how the majority of our region, whose gas connections are to the North Sea, might also benefit.
- The Hydrogen Taskforce continues to meet monthly and has recently had showcases of projects and activity in the area. In particular, Chinook Sciences presented to the July meeting to talk about their innovative waste-to-Hydrogen production technology. We are working with Chinook and other colleagues including the Freeport and Airport on how the technology could be tested and rapidly rolled out.

7.2 Preparations for the East Midlands Hydrogen launch event

- I am pleased to announce that the launch event for East Midlands Hydrogen on 22 September at Toyota is now full. Attendees include some familiar partners such as many of our MPs and big businesses, but also many organisations that are new to us. It will be fascinating to gauge just how much interest an activity in hydrogen already exists in our region but just needs a little coordination.
- The Energy Secretary Grant Shapps has asked for more invitation following the invitation we and Cadent sent, and we are hopeful that if the Secretary of State cannot make the event, that he will delegate to one of his ministers.
- I must thank Tim, both for representing the Board at the event and for once again opening Toyota's excellent facilities to regional partners. Other

speakers include the Energy Department's director for hydrogen, Cadent and Nora Senior, chair of the East Midlands Freeport.

- I would also like to pass on my thanks to the team for their hard work on this event, notable Nicola, Maureen and Sandra.

8. PARTNER ENGAGEMENT

8.1 I have undertaken a number of engagements since the last Board, including:

- Briefing meeting with D2N2 Conservative Group MPs (ongoing regular contact meeting)
- Briefing meeting with D2N2 Labour Group MPs (ongoing regular contact meeting)
- Meeting with DSF Refractories to address how their GPF loan is to be repaid
- My new role as a member of the Midlands Connect Audit and Governance Committee
- Meeting with LEP Chairs and Ministers Davison and Hollinrake at which I was one of a number of LEP chairs seeking more clarity on the arrangement for LEP funding and transition over the coming months.

8.2 A meeting for all local authority Leaders has now been set for 15 September.

Elizabeth Fagan
31 August, 2023

DATE	31 August, 2023
REPORT LEAD	Tom Goshawk
AGENDA ITEM	2.2

TITLE	Funding Programme Updates
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1. INTRODUCTION

1.1 This report provides an update on the LEPs Funding Programmes. There are no items for decision from this paper.

2. RECOMMENDATION

2.1 The Board is asked to **NOTE** the report

3. EARLY-STAGE ANGEL INVESTMENT FUND (ESAIF)

3.1 Since the last D2N2 LEP Board meeting officers have continued to work to develop the scope and requirements of the ESAIF. Officers have worked with the members of the Access to Finance subgroup and legal team appointed to complete the tender documents which were published on 9 August, 2023.

3.2 Following publication the following timescales have been put in place for the tender process:

Submission of questions and contract commentary by:	17:00, Tuesday 22 August
Response to questions and contract commentary by:	17:00, Tuesday 29 August
Tender response by:	17:00, Monday 11 September
*Initial evaluation by:	21 September 2023
*Due diligence meeting, if required:	Late September 2023
*Due diligence checks (including audit and security checks) completed:	Early October 2023
*Award of contract:	October 2023
*Contract start date:	November 2023

3.3 Officers from the LEP team will work alongside Access to Finance Group members and Derbyshire County Council's procurement team to assess the submissions received. Following the results of this process we will bring an update to the next meeting of the LEP Board.

4. LOW CARBON GROWTH FUND

4.1 The LEP approved seven projects to make up its Low Carbon Growth Fund in 2022. The Investment Board has approved 4 projects from the funding round including:

- Springvale Hydrogen – Anaerobic Digester project to create low carbon Hydrogen
- South Derbyshire Waste Collection vehicles – Delivery of new Hydrogen Hybrid Waste collection vehicles as a trial to test the suitability of the provision for rural areas.
- PPROHLET – The project creates a pilot production line which will help to commercialise technologies in the Electrification and Hydrogen spaces.
- Low Carbon Heating and Cooling – The project is working to incorporate a new centralised heating and cooling system at Smartparc Derby which will provide low carbon temperature control to the food production site.

4.2 At the 7 September Investment Board meeting the Heat Pump Skills Academy project is due for approval. The project aims to deliver training courses to new and existing engineers to upskill them and enable the delivery of heat pumps across the region as an alternative low carbon heating system. The project will be sent to the LEP Board

4.3 Two further projects remain to be approved from the programme and these are the Hydrogen Buses project and Mine Water Heat projects. Further updates will be delivered to the LEP Board when these projects come forward for delivery.

PUBLIC

DATE:	31 August 2023
REPORT LEAD:	Sarah Wainwright
AGENDA ITEM:	2.3

TITLE:	Finance update
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1. INTRODUCTION

1.1 A Summary of income and expenditure for final position for 2023/24 for the main LEP budgets.

2. RECOMMENDATION

2.1 Board is asked to **NOTE** the report

3. 2023-24 LEP Budgets

3.1 Budget monitoring for quarter 1 of the 2023-24 financial year is shown below:

PUBLIC

2023-24 LEP-Detailed Budgets	Core funding Budget	Actuals to date	Year End Position	Key Account		
				Management (KAM)	Actuals to date	Year End Position
	£			£		
Income						
Dept of Levelling Up, Housing and Communities	250,000	250,000	250,000			
LA Match	125,000		125,000			
Department of Education	150,000		150,000			
Department of International Trade	5,000		5,000	57,000	14,250	57,000
Interest	200,000	8,125	200,000			
Other	55,190	- 2,211	55,190			
	785,190	255,914	785,190	57,000	14,250	57,000
Expenditure						
Rents	71,414	17,911	71,414			
Pay costs	732,966	172,152	688,931	47,514	13,730	47,514
IT/Website	10,500	373	10,500			
Mobiles	2,625	1,477	2,625	207	52	207
Postage and Stationary	5,250	13	5,250			
Publicity	5,250	6,225	5,250	6,666	7,866	6,666
Travel and general allowances	5,250	2,937	5,250	369	209	369
Room hire and catering	4,000	1,631	4,000			
Insurance	10,626		10,626			
Training	2,100	2,394	2,394			
LEP Network	4,200	4,200	4,200			
Midlands Engine	18,000		18,000			
Consultancy/Professional	63,000	39,005	63,000			
Conference/Event	5,250		5,250			
Audit fee	10,000	- 9,780	10,000			
Corporation tax	54,374	- 89,082	54,374			
SLA	114,406		114,406			
Other				2,244		2,244
	1,119,211	149,456	1,075,470	57,000	21,857	57,000
2023/24 Surplus/ (Deficit)	(334,021)	106,458	(290,280)	-	(7,607)	-
Reserves Balances at 31.3.23	2022/23					
Low Carbon Growth fund	4,515,849.51					
Digital Bootcamp	975,373.81					
Key Account Management	2,423.23					
Energy Strategy	787.02					
Careers and Enterprise	165,651.08					
HS2 Toton	556,402.29					
HS2 Growth Strategy	30,329.30					
Growing Places Fund-Capital	9,341,651.91					
Growing Places Fund-Revenue	827,687.74					
Core Funding	961,319.79					
General Reserve	540,473.43					
	17,917,949.11					

DATE	31 August 2023
REPORT LEAD	Will Morlidge
AGENDA ITEM	2.4

TITLE	Future LEP funding and Remit -Scenarios for D2N2's future role
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1. INTRODUCTION

- 1.1 This report was commissioned by the Chair in response to the lack of an announcement before recess by Government on the future funding of LEPs. Subsequently, on 4 August, 2023, the announcement was made that that there will be no further core funding for LEPs after this financial year.
- 1.2 I set out here three potential scenarios for the future role, shape and purpose of the LEP in the light of known and still unknown decisions about our future funding and mandate from Government.
- 1.3 Some LEPs are planning to continue as an independent economic development body without the consent of the relevant local authorities and/or in parallel to current LEP functions being exercised by Local Authorities (LAs) or Combined Authorities (CAs). As this contradicts the Board's previously expressed view that without a local or national mandate that D2N2 should not continue to operate, I have not looked into this as an option. I can say that the financial challenge of this option would be extreme.

2. RECOMMENDATION

- 2.1 The Board is asked to **DISCUSS** the report and **AGREE** at least one option for the team to take forward.
- 2.2 The chair and I recommend **OPTION A**, which offers the best balance of alignment with policy, continuation of service and security for our colleagues.
- 2.3 No decision on the preferred way forward is required at this time, but I do suggest that option C is more problematic since the Government's announcement of 4 August, in terms of being perceived to conflict with emerging government policy.

3. KEY HIGHLIGHTS

- 3.1 I discuss three options here, which are in summary:
 - A. The LEP plans to carry on as is until the MCA is established, or an alternative devolution settlement is agreed. This would require the LEP using reserves to carry on if there is not solution before the end of the FY25/26. At that point the business would be closed down.
 - B. The LEP carries on until the end of FY24/25. At the end of the financial year 24/25 we transfer all assets and liabilities to the MCA or a local authority if no MCA exists. At that point the business would be closed down.

- C. The LEP will continue as an independent, self-funded body. We would use interest payments and retained business rates to pay for the core team. Other funding would be secured from bidding for programmes such as Skills Boot Camps.

4. BACKGROUND

- 4.1 Government confirmed on 4 August that LEPs would receive no further core funding after the end of the current financial year. The announcement did not include plans to abolish LEPs, but rather an expectation of an orderly transition of functions from LEPs to LAs or CAs.
- 4.2 There are many details to be worked out, but for officials, the D2N2 area is fortunate in being on the clearest path. The Government expects us to continue along the path towards transitioning LEP roles and responsibilities into the proposed EMMCCA. However, this paper must also consider what happens if transition does not happen, for whatever reason.
- 4.3 On calls since 4 August between LEP chairs and ministers and between LEP CEOs and senior civil servants, we have received very clear advice that ministers expect an orderly transition from a private-sector led system to a public-sector led system with minimum disruption to the delivery of strategy, services and projects.
- 4.4 The Board will be pleased to hear that Department of Business and Trade (DBT) Minister Hollinrake singled out Growth Hubs as a key part of the business support infrastructure going forward, with a clear expectation that they will be sustained if not expanded.
- 4.5 Further guidance is expected from various departments including DBT on the future of the Key Account Management Programme and from DFE on their preferred suppliers for Careers Hubs and Skills Boot Camps.
- 4.6 Regardless of devolution, there continues to be a related relationship conversation about the match funding of the Careers Hub. Match funding is only provided on an annual basis by DFE via the Careers and Enterprise Company. This means there is an annual conversation in the D2N2 area about the source of local match. Whichever solution we choose, there will still be annual uncertainty over the Careers Hub which the team have managed excellently to date.
- 4.7 On core funding, there will be an as-yet unknown amount of revenue funding to LAs or CAs for to continue LEP roles in FY 24/25. The amount will not exceed £250,000 but may be less. LAs will be expected to determine how that money is spent, but ministers are clear it is for continuation of the LEP services that a local area continues to value, and is not to be used to fund other LA services.



There are no decisions on future funding for LEP functions, Growth Hubs, Carers Hubs, KAM or Boot Camps beyond the current spending round.

5. OPTIONS APPRAISAL

- 5.1 I set out below my analysis of the three options, taking into account the fit with national policy on economic development and local policy on devolution. I also consider the financial implications and the effect on services being delivered for the region and the impact on LEP staff.

Will Morlidge
31 August, 2023

OPTION A: The LEP plans to carry on as is until the end of FY25/26 at the latest.

Closure:

- The LEP closes by the end of FY25/26.

Summary of proposed activity:

- Current LEP functions continue in line with the delivery plan, including planning for LEP transition to the MCA.
- The LEP continues to bid for discretionary funds such as further Skills Boot Camps in line with the delivery plan.
- Staff, assets and liabilities are transferred either to the MCA or to another nominated Local Authority.

Assumptions:

- Either the Levelling Up and Regeneration Bill (LURB) is enacted in time to enable the EMMCCA to be created or, assuming a potential change of government, an alternative devolution settlement is agreed.
- The LEP Board and the MCA (or alternative devolved body if applicable) are both able to agree on a transfer of LEP assets, staff and liabilities.
- The funding of up to £250,000 for LEP functions in FY24/25 is made available to the LEP.
- The promised further advice from Government does not explicitly preclude LEPs from carrying on delivering discretionary contracts (Careers Hub, Growth Hub, Skills Boot Camps, Key Account Management).

Policy alignment:

- Accords with national devolution policy and the aims of the LURB
- Accords with regional devolution policy expressed in the Devolution Deal, which included the EMMCCA assuming all LEP responsibilities.
- Entails minimal disruption to services, as required by ministers in their call with LEP chairs on 4 August.

Costs:

- Costs for 2024-25 would be £1.031m with income of £367k, leaving a deficit of £665k.
- This could be funded from the up-to-£250k for LEP functions promised by government, plus the remaining Core funding Reserve (estimated at £492k) and the remaining balance from General Reserve (estimated at £480k).
- This would leave a balance of up to £558k only in General Reserve.
- Costs for 2025-26, assuming the LEP operates through to the end of the year and assuming a notional 3% increase in costs would be £1.061m. We must plan for potential redundancy costs on of that.

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- With no government funding expected, that would require us to use up the remaining reserve (balance estimated at £308k) as well as to transfer funding from one of the existing programmes, most likely the Angel Investment Fund.

OPTION B: The LEP carries on only until the end of FY24/25.

Summary of proposed activity:

- Current LEP functions continue in line with the delivery plan, including planning for LEP transition to the EMMCCA.
- The LEP does not bid for discretionary funds as they would not be confident of being able to manage through to end of programme, if EMMCCA was not established by end of FY24/25.
- Staff, assets and liabilities are transferred either to the MCA or to another nominated Local Authority willing to absorb the assets and liabilities of the LEP by the end of the 24/25 financial year.

Assumptions:

- the LURB is enacted in time to enable the EMMCCA to be created in the 24/25 financial year.
- the LEP Board and the EMMCCA are able to agree on a transfer of LEP functions in the 24/25 financial year.
- while access to the up to £250,000 revenue support from Government would be preferable, not least to match fund the Careers Hub, we have already planned for this scenario without further revenue funding.
- the promised further advice from Government does not explicitly preclude LEPs from carrying on delivering discretionary contracts (Careers Hub, Growth Hub, Skills Boot Camps, Key Account Management).

Policy alignment:

- Accords with national devolution policy and the aims of the LURB.
- Accords with regional devolution policy expressed in the Devolution Deal, which included the EMMCCA assuming all LEP responsibilities.
- If there is no functioning MCA by the end of the FY24/25 and transition is instead to a Local Authority, it is not certain that the receiving authority will be able to fund all current services, so Ministers' expectations of minimal disruption may not be met. LAs are unlikely to be in a place to begin those discussions with us while fully focused on getting the MCA set up.
- LEP position has been up till this point, that we would only transfer assets to an established EMMCCA when it's been established and has agreed to take on LEP activity.

Funding:

- Costs for 2024-25 would be £1.031m assuming a full 12 months of costs with income of £367k, leaving a deficit of £665k.
- This could be funded from the remaining Core funding Reserve (estimated at £492k) and the remaining balance from General Reserve (estimated at £480k).

OPTION C: The LEP will continue as an independent, self-funded body

Summary of proposed activity:

- According to the technical notes accompanying the 4 August decision on funding, up to 14 LEPs are actively considering this option.
- All current LEP functions continue in line with the delivery plan, **excluding**:
 - planning for LEP transition to the EMMCCA, currently shared between eight staff members who offer roughly a day per week each.
 - The released capacity would enable us to more consistently support the Towns Fund Board and the increasing workload on inward investment and in support of East Midlands Hydrogen.
- Staff are not transferred to the EMMCCA, and the LEP Board seeks instead an SLA to keep delivering on behalf of the region.
- The LEP continues to bid for discretionary funds it has previously used such as further Skills Boot Camps in line with the delivery plan.
- The LEP will consider undertaking additional functions, such as closer involvement in inward investment or bidding for funds it has not previously used such as UKSPF.

Assumptions:

- The LURB is enacted in time to enable the EMMCCA to be created in the 24/25 financial year
- The LEP Board and the EMMCCA are able to agree an SLA on LEP functions in the 24/25 financial year
- The promised further advice from Government does not explicitly preclude LEPs from carrying on delivering discretionary contracts (Careers Hub, Growth Hub, Skills Boot Camps, Key Account Management) or bidding for other funds (eg UKSPF).
- The LAs would not devolve the up-to-£250k to the LEP

Policy alignment:

- Might accord with national devolution policy which enables LEPs to carry on with the agreement of its LAs, although soundings taken suggest that our LAs would not support this approach.
- Does not accord with regional devolution policy expressed in the Devolution Deal, which included the EMMCCA assuming all LEP responsibilities.

Funding:

- Costs for 2024-25 would be £1.031m with income of £367k, leaving a deficit of £665k.
- This could be funded from the remaining Core funding Reserve (estimated at £492k) and the remaining balance from General Reserve (estimated at £480k).
- The LEP would need to find revenue funding for the core team of around £700k per year of staffing costs plus other running costs, not including posts

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self-funded from projects. This seems problematic in a landscape where the LAs are very unlikely to co-fund and where there is already a crowded landscape of consultancies competing for skills and economic development work.

Will Morlidge
31 August 2023

DATE	31 August 2023
REPORT LEAD	Will Morlidge
AGENDA ITEM	2.5

TITLE	Chief Executive Officer's Report
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1. INTRODUCTION

1.1 This report updates the Board on the issues that are not addressed elsewhere in today's meeting.

2. RECOMMENDATION

2.2 The Board is asked to **NOTE** the report.

3. KEY HIGHLIGHTS

3.1 Key Highlights summary:

- Devolution working groups: LEP engagement
- UKREiiF 2024
- Inward investment

4. SKILLS UPDATE

4.1 Devolution Skills and Education Group

- Head of People and Skills and Labour Market Analyst are both members of the Local Authority Officers group responding to the DfE AEB readiness conditions. There has been an initial meeting of the wider Skills and Education Group which is comprised of a range of key stakeholders.
- A workshop with DfE will be held on 12 September for all areas moving to a devolved authority.

4.2 STEP FUSION

- Following the release of a "Prior Information Notice" on 23 June for the Fusion Skills Academy to be developed at the West Burton STEP site, Bassetlaw District Council convened a meeting of interested parties. These included the LEPs, Local Government, Higher Education Institutions and Further Education Colleges from across the region to explore a collaborative approach.
- There was a consensus to explore this approach at the meeting. All attendees agreed that a unified response from our region, including partners with the relevant expertise in Lincolnshire and South Yorkshire will have a greater prospect of succeeding than if we encouraged multiple bids from the region to go forward. Bassetlaw will lead, and Fiona will be the key contact for D2N2.

5. BUSINESS AND INNOVATION UPDATE

5.1 D2N2 engagement with the devolution subgroups

- LEP Officers are continuing to engage with the devolution process and are working alongside Nottinghamshire County Council to support the Business Economic Growth and Innovation workstream.

- The group has been split in to three subgroups which include:

- Digital Connectivity,
- Visitor Economy and Place marketing, and
- Growth Sectors, Business Support and Inward Investment.

D2N2 has nominated a lead officer to support all 3 groups.

- Alongside the supporting officer, Vlad is also supporting the workstream with analytical support and evidencing.

5.2 Inward investment strategy

- The LEP Team are currently working towards the delivery of an Inward Investment Strategy for the region. Officers are beginning an analysis of what works in the area and where the region has a competitive advantage sectorally to support inward investment opportunities.
- The work will include Local Authority Partners as well as the designated sites of the Freeport and Devco to create a uniform approach in preparation for the EMCCA.
- The work is aimed for completion by the end of April to be ready for presentation in time for UKREiiF.
- The Inward Investment Strategy work was debated by the Business Growth and Innovation Board on 22 August. Following this meeting officers are to meet with members of the BGIAB to discuss the work and collaborate with one and other to make an all-encompassing strategy.

5.3 UKREiiF 2024

- Following the excellent feedback we received this year, we have secured an event space for Wednesday, 22 May, 2024. Our pitch will again be focused on the opportunities in the East Midlands. We have secured the Freeport and DevCo chairs as panellists, alongside Elizabeth and, we hope, the new Mayor.
- If we do have a Mayor by 22 May next year, this could well be their first major event representing the region. We will seek local authorities' advice on how we can adequately brief all candidates to ensure the successful candidate is as prepared as possible to represent the region in front of an audience of major investors.
- A working group is already in place to ensure that we dovetail with the planned Midlands Engine presence and with any planned presence from D2N2 local authorities and investment promotion agencies.

6. ECONOMIC UPDATE

6.1 UK CPI inflation has fallen back to 6.8% in the 12 months to July 2023 and is predicted to reach the 2% target by the second quarter of 2025. Underlying quarterly GDP growth has been around 0.2% during the first half of this year. GDP growth is

projected to remain below pre-pandemic rates over the medium term due to more resilient household income and retail sales volumes.

6.2 Locally, the labour market indicators show persistence of tight conditions despite the short-term increase in unemployment claimants coupled with a growing number of available jobs. There were 49,800 claimants in July 2023 which represents a 6.5% increase from last year compared with a 2.7% increase nationally. The number of job vacancies (71,200) has increased over the same period. In D2N2 the number of vacancies has increased by 12.5% compared to 1.5% growth across the UK. The number of business closures (liquidated or dissolved companies) has stayed relatively stable over the past quarter.

6.3 Wage growth struggles to keep up with inflation despite the significant growth in nominal terms. In D2N2, the most recent estimates of real pay suggest a decline in median real earnings of at least 0.5%.

6.4 A more detailed analysis of local data sources is available on the [D2N2 Data Centre](#).

7. STAFFING UPDATE

7.1 Both Maureen Vieyra and Derrick Mugerwa leave D2N2 next month. Both leave us with our very best wishes. Neither post is being backfilled, given the current funding constraints.

Will Morlidge

31 August, 2023