

## MINUTES OF FINANCE, AUDIT AND RISK COMMITTEE

Tuesday 8 September 2020

Virtual Meeting via Zoom Video Conferencing

### PRESENT:

Chris Walklett (Chair)	(CW)	Partner, Bishop Fleming
Tony King	(TK)	Private Sector Representative
Stuart Laverick	(SL)	Heart of Worcestershire College
Fran Oborski	(FO)	Wyre Forest District Council
Steph Simcox	(SS)	Worcestershire County Council
Luke Willetts	(LW)	Worcestershire Local Enterprise Partnership
Gary Woodman	(GW)	Worcestershire Local Enterprise Partnership

### APOLOGIES:

None

### IN ATTENDANCE:

Linda Smith	(LS)	CEO / Founder BetaDen (for Item 4)
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	AGENDA ITEM	ACTION
1.	<b>Welcome and Apologies</b>	
1.1	CW welcomed the FAR Committee members and Linda Smith. No apologies were received with FAR Committee at full attendance.	
2.	<b>Notification of Declarations / Conflicts of Interest</b>	
2.1	CW declared that he is a member of the Malvern Hills Science Park Board. CW also advised that Select Research and Worcestershire County Cricket Club (both recipients of LEP Growing Places funding) are both clients of Bishop Fleming. A further interest was declared by CW in relation to Item 4, BetaDen Sustainability Report, with Bishop Fleming being engaged in the market test exercise undertaken. However, CW was not directly engaged in those discussions due to role as FAR Chair and WLEP Board Member.	
2.2	Whilst not relevant to any business on the FAR agenda today, TK notified FAR that he has taken on a Board role with Platform Housing in Worcester, for future reference.	
3.	<b>Actions from previous meetings</b>	
3.1	The committee reviewed last meetings actions and agreed them as an accurate record of the meeting.	
4.	<b>BetaDen Sustainability Report</b>	

- 4.1 LS presented the report to FAR Committee, to address the questions and lines of enquiry raised at the meeting in May 2020, namely:
- To provide a progress update on the BetaDen Investment Funding Manager objectives;
  - To provide financial information on the BetaDen Business Plan financial targets for private sector investment year on year and a copy of the latest Management Accounts;
  - To provide a progress update on reducing public sector funding into the BetaDen model; and
  - To provide quantitative metrics on Return on Investment (ROI) benefits where available.
- 4.2 LS advised FAR that since the last report provided in May 2020, that the Malvern Hills Science Park (MHSP) Board agreed in principle, at their meeting in August 2020 to transition BetaDen into a business unit of the MHSP operation.
- 4.3 LS, GW and Nick Baldwin (WLEP Board Member and BetaDen Advisory Board Chair) have met with Chris Walker (QinetiQ) in his new role as MHSP Board Chairman to discuss next steps. This was described as a very positive initial meeting.
- 4.4 SS highlighted potential issue due to existing governance models in operation with WCC acting as Accountable Body to the LEP, as well as a majority shareholder in MHSP. CW specified that the two key instruments that need to be considered and implemented would be the Memorandum and Articles of Association enshrining the business. A shareholder agreement would then outline the strategy and objectives of stakeholders – which would govern how future profit is used.
- 4.5 The Cascade Agreement and Shareholder Agreement are two key tools to safeguard investment made to date and ensure future profits are ring-fenced to deliver on BetaDen business plan objectives. This would also play a part in safeguarding the circa £1.2m investment into BetaDen that WLEP has committed to date. SS stressed it is critical that this is identified as an issue for resolution when reporting BetaDen progress and future proposals to WLEP Board. LS agreed and stated development of an Investment Strategy underway which will seek to move BetaDen from existing project status into a business unit within MHSP. **LS**
- 4.6 LS referenced that management accounts have been shared with FAR Committee. CW conducted a high-level sensitivity analysis on the BetaDen management accounts to query whether the ERDF funding stream is at risk as a result of Brexit transitional period ending in December 2020. SS confirmed that the existing funding commitments will be honoured so no immediate risk to this funding stream for BetaDen.
- 4.7 In May, FAR asked what the financial targets were for BetaDen's Business Plan moving forward. These were provided in the report and LS advised that the Year 1 (2020/21) financial target for third party investment into BetaDen is £45k.

- 4.8 SS explained that the £45k income target is currently being treated in financial management terms as enabling longer tenure of BetaDen model and not repayment of WLEP investment to date. i.e. successful investment simply pushes existing funding envelope for BetaDen into future days, months, years of operation – that may be a decision that the WLEP Board wish to revisit in the future.
- 4.9 SS sought LS assessment on BetaDen’s ability to secure the £45k target in 2020/21. LS referenced the uncertain economic times currently in operation as a result of impact of COVID-19. However, BetaDen are working with sponsors and have 10 companies lined up to have introductory meetings to explore potential sponsorship packages. LS advised that progress on the financial target will be reported to WLEP Board in September. **LS**
- 4.10 Intrapreneurship model is a potential Plan B, which could be more affordable to private sector and bring some external funding streams into BetaDen. Recruitment activity for Cohort 4 is due to commence in November for a March 2021 start. SS requested that future BetaDen reporting to WLEP Board and FAR Committee included a formal assessment against the annual finance targets e.g. RAG with commentary on level of funding likely to achieve in-year. **LS**
- 4.11 LS also commented that any future income secured for BetaDen must be appropriated in a separate way to ensure does not negate conditions associated with ERDF funding stream.
- 4.12 LS updated on the market engagement exercise undertaken to explore potential of appointing third party expertise to support BetaDen as it looks to transition into a business unit and to support development of an Investment Strategy to secure private sector investment. CW asked what learning had been gleaned from the process.
- 4.13 LS advised the learning pointed towards a two-phased approach:
- Adoption of a stakeholder/investor focused approach to financial reporting
  - The implementation of a 5-year commercial plan, including projected costs, measurable financial objectives and a breakdown of proposed revenue streams, including:
    - Sponsorship income
    - Cohort member income (equity or revenue %)
    - Innovation partner income
    - Cohort membership fees (for IP fast-track development proposition)
    - Consultancy fees
- 4.14 LS will be seeking approval from WLEP Board later in September to commission an ITT to support BetaDen objectives as outlined above. **LS**
- 4.15 Finally, LS touched on some of the quantitative metrics developed by BetaDen to outline ROI. This included third party investment secured by BetaDen cohort members which led to requests from FAR for BetaDen to consider in its future guise how it can secure a share of future investment, potentially via preference share. LS agreed and noted next steps include ongoing delivery of networking events across the county to

sustain a grow the ecosystem. A formal report will go to WLEP Board in September to update on these points and seek approval to undertake a procurement exercise to identify external expertise and support for BetaDen as it transitions from project status.

CW concluded the item by thanking LS for her report and addressing the queries raised by FAR Committee. The FAR Committee members echoed these sentiments.

## **5. 2020 / 21 Quarter 1 Financial Report**

- 5.1 SS presented the 2020/21 Quarter 1 financial report.
- 5.2 No concerns to highlight at this stage, recognising no major activity during Q1 due to lock-down restrictions around COVID-19.
- 5.3 SS reported that WLEP expecting to spend revenue and grant funding to profile. LGF schemes have progressed well since Q1 following lower levels of activity and spend due to COVID-19.
- 5.4 WLEP are planning to run a virtual conference event online in October this year. WLEP have engaged with WCC who have agreed to support and underwrite an element of costs associated, which in turn will ease pressures on the WLEP budget.
- 5.5 The Getting Build Fund application process for the 12 projects in the programme has commenced, and SS team have been involved in financial sign-off for those applications prior to going to WLEP Board for ratification later in September.
- 5.6 Finally, an additional grant of £257k has been issued to WLEP from Government to bolster Growth Hub operations in response to COVID-19 impact.
- 5.7 The Q1 2020/21 financial report was agreed by FAR Committee to be presented to the WLEP Board on 25 September for approval. **SS**

## **6. WLEP Annual Performance Review (APR) Action Tracker**

- 6.1 LW outlined purpose of this item is to provide assurances to FAR Committee that the WLEP Exec Team are progressing the actions identified and agreed with BEIS / MHCLG at the APR session held in Feb 2020. BEIS have introduced a mid-year review process with LEPs, and this is due to take place next week, 15 September. LW presented a deck of slides outlining actions and progress taken, which also included progress against the National Assurance Framework (NAF) extensions and exemptions agreed by Ministers as a result of the impact of COVID-19.
- 6.2 FAR noted the presentation and confirmed their assurance that all actions are in hand and progressing or have been completed satisfactorily.

6.3 LW stated that a note will be circulated to FAR to update on the mid-year review meeting, once the notes of the session have been agreed and distributed by BEIS. **LW**

## **7. Risk Register**

7.1 LW proposed that there were no major changes or additions required for the WLEP risk register at this time.

7.2 LW suggested just one change, that Risk No. 18 should be amended from an Amber to a Green risk, because BEIS have now assessed WLEP's delivery progress and released the final third of the 2020/21 LGF allocation. FAR Committee agreed to this change. LW to update Risk Register and circulate. **LW**

## **8. Summary of Key Messages and Reporting to WLEP Board**

8.1 FAR Committee Chair update to LEP Board in September to consist of reports on the following areas:

- 2020/21 Quarter 1 Financial Report – by SS

**SS**

8.2 This will be supplemented by CW comments in role as FAR Chair on the BetaDen report to represent the views and acknowledgement of FAR Committee on progress made by LS and team since May report. **CW**

8.3 Finally, LW to update on APR Mid-Year Review with BEIS / MHCLG. **LW**

## **9. Forward Plan for Next Meeting**

9.1 FAR Committee suggested the following items be considered for inclusion on the next FAR agenda:

- Q2 2020/21 – Financial Report
- Risk Register
- WBC Growth Hub Review progress
- Brexit analysis

## **10. AOB**

### **10.1 LA Partner contributions to WLEP funding**

LW asked FAR Committee to note Redditch Borough Council's position in having resigned from the Worcestershire LEP. This has a financial impact on WLEP, in the form of non-payment of partner contribution from Redditch BC, for 2020/21 onwards.

WLEP are proposing that reporting of activity and business intelligence to Redditch BC should be delivered on a cost-plus basis for 2020/21 in the event of non-payment of this partner contribution e.g. WBC Growth Hub data and education & skills data.

Clearly, WLEP activity and interventions will continue across Redditch, projects will continue to be delivered as WLEP remains wholly committed to delivering across the Worcestershire county geography.

FAR Committee endorsed the proposal from the WLEP Exec Team.

**10.2 WLEP Annual Report to OSPB**

LW reported to FAR that due to impact of COVID-19, the Accountable Body's (WCC) Overview, Scrutiny and Performance Board (OSPB) have postponed their 3 June meeting to a later date. WLEP were originally invited to present their Annual Report to OSPB on that date.

The OSPB Chair has invited WLEP to circulate a report virtually to OSPB instead. WLEP will provide a written briefing to OSPB in October 2020.

**LW**

**11. Date of Next Meeting**

13.1 Next meeting date for FAR Committee is 10 November 2020 – to be held virtually via Zoom.