

**Audit and Risk Management (ARM) Committee
Minutes from the Meeting held on
1st June 2011
Room 126, Shire Hall, Castle Hill, Cambridge**

COMMITTEE/ BOARD MEMBERS PRESENT:

**John Bridge - Chair
Cllr Ian Bates
Cllr Jill Tuck
Alex Plant**

**Cambridgeshire Chambers of Commerce
Huntingdonshire District Council
Cambridgeshire County Council
Cambridgeshire Horizons**

ALSO IN ATTENDANCE:

**Ivan Matthews
John Williamson
Gill Barker (Minutes)**

**Cambridgeshire Horizons
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APOLOGIES:

Cllr Alan Melton

Fenland District Council

Actions

1. Welcome and Apologies

JB welcomed all members to the meeting.

Apologies were received from Cllr Alan Melton.

JB noted a letter from Cambridge City Council Leader, Cllr Sian Reid, the content of which was considered. Where points made within the letter are to be considered, this will occur at the relevant item on the Agenda.

2. Minutes of the Meeting held on 4th March 2011

These were agreed.

3. Matters Arising

Item 6a: Strategic Risk Register – Risk re new Housing issues, with SBecroft to provide updated information on Affordable rents product and associated issues, it was noted that this information was still being released by government. The latest noted that Affordable Homes did qualify for the New Homes Bonus and in fact qualified at a higher level with up to £2,100 per home available over 6 years;

Item 8: Horizons Core LDV Budget– Under Discussion, 3rd bullet – Noted that Nigel Howlett, CEO of the CHS Group and Horizons landlord, stated there would be no penalty charged for vacating post September 2011, agreed that a formal letter of thanks should be forwarded from this Committee.

JB/GDB

4. LEP Update

AP gave a verbal update.

- Recently, a Strategy Awayday had been held. This had agreed the key priorities that the LEP should deliver;
- The LEP will need to be seen as a central co-ordinating body that works through other organizations, rather than a hierarchical structure;
- It will require a small dedicated team to service requirements and help delivery;
- AP and Neil Darwin of Opportunity P'Boro currently working up a skeleton of a business plan for Board agreement later this month;
- It is really important for the LEP to achieve its bid for an Enterprise Zone. There were 5 proposals – Wisbech, Bury St Edmunds, Kings Lynn, Alconbury and Peterborough;
- A Start-Up fund of £5m was being made available by the government for LEP's which had to be bid for;
- All local authorities involved in the LEP (13) had agreed a minimum fund of £7.5K each and £48K had been achieved from the LEP Capacity Fund.

5. HGF Capital and Revenue budgets

JW's report had been circulated.

Capital: Of £26.5m available overall, £20.5m had been spent and all of the remaining was committed. There had been an overprofile issue which had been managed by Board. All projects were expected to complete by the end of the calendar year;

Revenue: Of the £1.9m available, £1.1m had been spent by the end of March 2011. A total spend of £1.7m was now projected, with spare

capacity of £227k at the end of September. Main Board had originally agreed that spare capacity should be held for 'emerging priorities'. Recently £35K had been agreed by Board for a Retrofit project in Fenland. There is now three further projects that have emerged for consideration:

- i) SCDC/CCC - £50K for Viability Study work for Northstowe;
- ii) A14 – Short Term Measures – Up to £50K for Local level, holistic modeling work to revisit capacity issues in particular for NIAB, Cambs University and Northstowe Phase 1;
- iii) £35K bridging funding to support Housing Co-ordination work until the end of the financial year. Cambridge City Council is then co-ordinating an all local authority arrangement to carry it forward from April 2012.

Discussion:

- Query whether all of £50K would be required for i). Noted that the figure was based on cost of previous work of a similar nature;
- Noted regarding Item ii) that it would be necessary to ensure that this money actually achieves additional houses. There would be clear aims built in along the way detailing what was expected from the modeling work. Further noted that the Highways Agency (HA) were bound to the 'nil detriment' policy, but with significant changes in economic factors, (re)modeling could now show capacity had changed. Noted also that the Cambridge Guided Busway (CGB), when opened, would also contribute to additional capacity;
- Point from Cllr Reid letter – Query re Section 2 of the report which refers to £26.5m, whereas an earlier report to Main Board in March 2011 referred to £21.9m. Noted that HGF had come from Government in two tranches, 2008 and 2009-11. The earlier report was a budget report and had therefore only considered monies in the 2009-11 budget, whereas this report is also considering the £5m underspend from 2008 carried over.
- Discussion then took place regarding how best to organize for any bids to be considered for the spend of the remaining £100K;

Agreed:

- Three additional requests for funding agreed for recommendation to Main Board, noting that both i) and ii) would require sharp project management to ensure best use of resources.

Noted that, following from the above, there would still be approximately £100K remaining within the HGF Revenue budget. As Growth Partnership Board and this meeting is only held quarterly, it was noted that should there be any requests for funding, these to be made to AP or JW and could then be circulated by email to the Chair of both groups for consideration prior to Board. To assist the process JW was asked to design a simple 1-page pro-forma.

JW

6. Horizons Residual Funding

JW's paper had been circulated. There are three main sources of residual funding (none of which cover the rolling fund and investment returns) : 1. Reserves, 2. HGF Revenue and 3. CLG Transitional Growth funding of £163K over two years;

1. Reserves – Began the year April 2011 with £1.1m, with budgeted running costs to September 2011, including covering redundancy costs, of £803K. This would have left £300K. With some staff leaving earlier than expected and with AP moving to CCC the costs had now been reduced to £713K. This could mean around £425K of residual funding available;
2. HGF Revenue – A potential £100K available (see Item 5 above);
3. CLG Transitional Funding – A successful bid made by Horizons for Growth funding over the next two years to make the transition from LDV of £163K. Noted that Peterborough had also made a similar successful bid;

It was possible therefore that over £500K may well be residual at the end of September. The report discussed the options:

- a) Divide any remaining monies up between all six local authorities;
- b) The 'pot' to be retained for growth projects;
- c) Divide monies into two pots (% not discussed), one for Option B and the other for transitional funding for the LEP;

It was noted that GPB had requested for the principles of option B and C to be further worked up for Main Board to make a decision.

Discussion:

- Query whether CCC would require its original start up capital to be returned first? If this was the case, then there was much less left in the pot. Noted that there was no agreement or expectation that this money would return to CCC, having originally been for start-up and wind-down costs, including covering redundancy payments;
- Noted that there was general agreement that a main priority would be to support the LEP and to support growth in Cambridgeshire. There was no conflict here, one was inherent in the other;
- Option C should be re-worded, and should include a reference to Tax Increment Finance;
- The second paragraph of Cllr Reid's letter was noted as stating: '...funding is used to support delivery of growth within Cambridge and Cambridgeshire more widely.' Some monies could be ring fenced for project funding in Cambridgeshire only. Some could also be used as leverage to encourage and bring further monies from other areas into the LEP;
- Other specific points in Cllr Reid's letter were noted.

Agreed:

The report to be further worked up, noting the comments above and the relevant points in Cllr Reid's letter, with the principles of Options B and C being clearly defined to enable Main Board to make a decision.

JW

An email to be forwarded to Cllr Reid, advising that her letter had been discussed and where appropriate this paper would be re-worked for Main Board, also noting that the Chair was now on vacation and the Minutes of this meeting may be delayed.

GDB

7. April 2011 Management accounts

IM's report had been circulated. Of note currently operating 7% under budget.

Discussion:

- Noted that everything was currently operating in line with

- forecasts;
- Reported that training programmes were in hand to support and assist staff at Horizons in finding alternative employment.

8. Risk Registers

a) Strategic Risk Register

GB's Register had been circulated. JW noted there was little change since March 2011, with the A14 and funding for Affordable Homes provision still being classified at 'Red' risk.

Discussion:

- Noted that following Sir David Trippier's (SDT) letter to Ministers querying the new government initiative, the Affordable Rent product, and the associated confusion since, the reply which had been received did not answer any of the questions posed. It was suggested that a follow-up letter should now be sent from the new Chair of Horizons, seeking clarification;
- Query whether the SRR was a valuable document going forward? Noted that it could be LEP based.

Agreed:

Follow up letter to the Housing Minister, copied to all local MP's, seeking full and proper answers to the queries raised in SDT's original letter.

JW

b) Internal Risk Register

- b) IM noted that there had been no changes to this register.

9. Projection and Budget 2011/12 to September

IM's paper had been circulated.

Discussion:

These issues had been covered under Item 6.

10. Horizons Company Legacy issues

AP gave a verbal update noting that a paper is currently being worked up that will be presented at Board. It will note that trading will cease as of 30th September. Consideration will be given regarding the return of the Rolling Fund and Investments. Transmuting Horizons into a 'money box' company will require amendments to the Memorandum and Articles of Association, and at this point both the HCA and EEDA will step down/resign and the 'Objects' will be shrunk down to 'dealing with investments' only.

Discussion:

- Noted that the term 'Legal Entity' should be used, rather than dormant or shell company;
- Reported that as investment monies return, then this triggers the Board to be called;
- There should be a caveat noting that the monies are to be used for 'to facilitate growth in Cambridgeshire'. This will be reinforced by way of a Memorandum of Understanding (MOU) outlining the CCC having first call on returns to pay back the £1m prudential borrowing to deal with the over-profiling in the HGF Capital Budget;
- Requirement to keep a bank account open, organising the cheapest way for this to happen;
- Noted that monies will be held in a County account, a technical issue which is still being worked out. Principles of arrangements will be brought to June Board, and then final

details will come to final meeting in September. Noted that Richard Braun, Head of Legal Dept at County was currently working on this, overseen by Quentin Golder, Board member;

- Noted that there was no requirement for this arrangement/agreement to be passed through each individual local authority member process.

11. Any other Business

It was noted that this would be the last ARM meeting for AP.

JT, on behalf of the Committee, thanked AP for his hard work over the last 3 years and was glad to note he wasn't going far!

The meeting closed at 1710.

12. Date of next Meeting

The last meeting of ARM was still to be arranged, but would be early September, 2011.