

<b>Finance &amp; Audit Committee</b>			<b>Paper 0</b>
<b>Date and Time: 2<sup>nd</sup> July 2020 at 10am</b>			
<b>Venue: Video conferencing platform (Microsoft Teams)</b>			
<b>Item No</b>	<b>Item and Brief Description</b>	<b>Lead</b>	<b>Additional Information</b>
1 5mins	<b>Welcome and Introductions</b> <ul style="list-style-type: none"> <li>• Apologies for Absence and Declarations of Interest</li> <li>• Matters arising</li> <li>• Actions update</li> <li>• Minutes</li> </ul>	Chair - Andy Orrey	Paper 0.1
2 10mins	<b>Covid-19 Briefing</b> <ul style="list-style-type: none"> <li>• Overview</li> <li>• Refocus and recovery strategy</li> <li>• LEP Budget (operational 2020-21)</li> </ul>	Ruth Carver	Verbal
3 20mins	<b>FYE Draft Financial Statement</b> <ul style="list-style-type: none"> <li>• FYE Report 2019-20</li> </ul>	Ruth Carver	Paper 1 Paper 1.1
4 20mins	<b>Auditors Report</b> <ul style="list-style-type: none"> <li>• Summary and findings</li> </ul>	Duncan and Toplis	Paper 2
5 5 mins	<b>AOB</b>	Chair - Andy Orrey	Verbal

**Confirmed:**

Andy Orrey  
Ian Knowles  
Steve Deville  
Robert Griffiths

Tim Godson (Duncan & Toplis) - Paper 2

Kate Storey  
Ruth Carver  
Louise Higham  
Laura Spittles

**Apologies**

- Linsay HillPritchard

# Paper 1

## Accountable Body Report LEP Finance

Recommendations for the Finance and Audit Committee:

- Interest gained on the Core Funding and Single Local Growth Fund of £128,961 to be held on reserve for future allocation on identified activity.
- Interest of £56,909 gained on cash balance 2 to be placed back in the loan fund for future use as per the cash Balance and reserve policy.
- Review and approve the contents of the report.
- Discuss and agree the recommendations within the report.
- Recommend the information is provided to the LEP Board on the 24<sup>th</sup> July 2020.

### 1 OVERVIEW

- 1.1 This report is intended to provide an overview from the Accountable Body of the audited Greater Lincolnshire transactions for the 2019/20 financial year.

The LEP continue to operate a number of reserves allowing them to respond to operational pressures and deliver against their agreed business plan priorities. We continue to support the LEP in the areas of governance and delivery by providing advice and guidance on a variety of policies and procedures and ensuring the correct systems and procedures are followed in transactional operations.

#### 1.2 Financial and governance oversight

The responsibilities on the Accountable Body for proper use of all Government grant monies discharged to the LEP are significant, and as such we have ensured that governance and decision making arrangements (via the LEP's Local Assurance Framework) are sound and that respective responsibilities and accountabilities of the LEP and the Council are clear.

We have continued to strengthen our role through the year in supporting the LEP to achieve their strategic aims and objectives whilst providing a robust environment in which to operate.

We work on a number of different funds on behalf of the LEP including, operating budgets, grant programmes, specific activity pots and various cash balances.

The LEP received over £8.7million of funding within the year including its core funding allocation of £500k and the third tranche of £6.8million of Single Local Growth Fund following a successful annual conversation sign off. Expenditure amounted to £9.2Million seeing an decrease in the year end cash balance.

## 2 Annual Financial Statement

The LEP Annual Report 2019-20 will incorporate a Financial Reporting section. Therefore the key highlights, progress and activity will be reported fully in this report which will be available for the LEP Conference/ AGM from 12th July.

I have provided in paper 1.1 a summary table of all income and expenditure through the LEP in the last 12 months resulting in a summary position on all cash balances.

This follows a similar format to inclusions in the end of year report. Given the level of information the LEP may wish to consider whether to publish the statement as a separate document and also include information within the Annual Report.

## 3 GLLEP Funds

### 3.1 Operational Core

The LEP's core income and expenditure for the 19/20 financial year is shown below:

- Total core contribution of £500,000
- Total additional income received in period was £246,854.
- Actual expenditure £659,165

The tables below show the breakdown of income and expenditure:

Table 1- Base core

Area - Description		Original Budget (YR)	Actual Spend as at March 20
Area 1	Executive Team	£242,310	£223,305
Area 2	Operational	£257,690	£265,407
<b>Total</b>		<b>£500,000</b>	<b>£488,712</b>

Table 2- Other core expenditure

AREA - DESCRIPTION	ACTUAL SPEND (£)
Enterprise Co-ordinator	808
Skills Employment Manager	1,849
Skills Advisory Panel	47,583
EM Ambassador Network Grant	2,561
LEP Review Monies	94,990
Future Proofing Coastal Tourism	22,662
<b>TOTAL</b>	<b>£170,453</b>

Within the year the LEP received the following income contributions:-

- £500,000 Core Funding
- £84,364 Enterprise Co-ordinator Grant
- £50,777 EM Ambassador Network Grant
- £83,710 Future Proofing Coastal Tourism
- £28,003 Career learning (NB In error will be paid back in 2020/21)

**Recommendation:**

- The underspend of £11,288 on core the core contribution be placed on reserves.
- Income received in period for specific activities not utilised be placed on the cash balance reserve for future years.

We are pleased to report that overall expenditure variances are minimal.

**LEP Executive**

- Two additional Enterprise Co-ordinators were recruited to support the excellent work begun on the Enterprise Network linking schools with businesses and subsequently a Skills Delivery Manager recruitment process was successfully undertaken and position appointed.
- The LEP also utilised staffing from Lincolnshire County Council economic teams to support analytical and data focused work.

**Governance**

- The LEP has continued to deliver its statutory obligations and strives for excellence in company decision making, policy and all governance.
- After nearly 10 years at the helm, the LEP Chair, Ursula Lidbetter stepped down in line with government guidance and a national, transparent, inclusive executive search, undertaken externally, was launched to find a replacement.
- Following a comprehensive search and after shortlisting then interviewing four candidates, the Appointments Committee selected Pat Doody from the existing directors' on a three year term.
- Three additional new directors' fulfilling specific sector positions and fulfilling required gender and sector diversity goals were also recruited as part of this process. These are:-
  - Alison Ballard, UK Typhoon Delivery Director at BAE Systems - bringing aviation and engineering expertise;
  - Yvonne Adam, Managing Director at Youngs Seafood - bringing food/ fish sector and Humber cluster expertise;
  - Air Commodore Suraya Marshall at RAF Waddington - bringing military expertise.

**Sector progress and priority themes**

- The priority focus this year has been the development of the Local Industrial Strategy which brings together key priority sectors alongside new areas such as defence and energy/water.
- Delivery of Growth Deal projects has continued to support sector infrastructure and skills.
- The Growth Hub attracted additional funding for scale up businesses and increased the number of advisors.
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### Communication / Events

- A Stakeholder Engagement Plan was contracted and research undertaken leading the way to a rolling targeted Engagement Plan.
- The LEP Annual Conference delivered the highest number of delegates, speakers and panellists to date and provided a significant promotional boost to profile and perceptions.
- The first ever Skills Conference was conceived, developed and ready to go before being sadly postponed due to the Coronavirus pandemic.
- Social media platforms increased in following and reach with interactions and engagements significantly built.

### Policy

- The Local Industrial Strategy draft was completed pending final iterations with Government, subsequently paused and likely to be refocused to reshape and form part of the economic recovery process.
- Brexit sector discussions have been developing and sector requirements fed into Government to shape policies and plans.

### Boards

- LEP statutory and strategic boards continue to grow in number and coverage, and to influence policy and programme development locally.

## 3.2 Match / partner contributions

There is a requirement for the LEP to match fund £250,000 of the core budget with a further £250,000 of match funding. Analysis has shown that match funding of £371,151 has been achieved supporting the delivery of the LEP core function.

These costs are made up of:-

• Board Directors Voluntary Time (Equivalent Value)	£ 47,277
• LCC officer support (Non Accountable Body)	£ 241,686
• Consultancy Shared service	£ 17,813
• Events	£ 64,375

The LEP continued to focus on utilising partner contributions to add value to on-going activity. £161,771 was gained in this way to help drive the skills agenda in particular and included support for the enterprise co-ordinators, skills research, newsletter and world of work website.

## 3.3 Feasibility Fund

The total feasibility pot at the beginning on the financial year was £221,439. This was split into 2 distinct funds:

- Feasibility fund committed £51,560
- Feasibility fund commissioned £169,879

During the financial year the LEP board agreed to increase the fund to 255,028 utilising cash balance interest.

Overall 13 contracts have been awarded to a value of £389,585. £29,612 has been paid to contracts within the financial year and estimated spend in 2020/21 will be £35,483.

Project	Amount £
Huttoft Boat Shed	4,534
Holbeach Fez	17,628
Gradus Business Centre	7,000
<b>Total 19/20</b>	<b>29,612</b>

At as the 31<sup>st</sup> March 2020 the two funds have been realigned and now are:

- Feasibility fund committed £33,932
- Feasibility fund commissioned £191,934

It is estimated that payments will be made to 2 identified contracts in 20/21:

- E-factor £21,551
- Cleethorpes £13,932.

### 3.4 Greater Lincolnshire Business Investment Fund

Within 2019/20 the programme held 5 projects contracts to the value of £1.5Million as detailed below:

Company	Location	Project Summary	Grant
Tong Engineering Ltd	Spilsby	To create a new production facility, enabling the company to consolidate their two existing sites in to one; safeguarding the future of the company by ensuring the business meets its growth aspirations.	£500,000
SDG Access Ltd	Navenby	To build a new bespoke business premises, enabling the company to consolidate their two existing sites in to one; safeguarding the future of the company by enabling the company to deliver against their growth aspirations	£151,346

Wolds Manufacturing Services Ltd	Louth	To build a new manufacturing facility, enabling the company to significantly improve production efficiency ensuring they have the capacity to meet increasing customer demand and deliver against future growth plans.	£327,653
SBS Ltd	Heckington	To buy/build a new premise to house the full manufacturing facility to meet increasing orders	£299,860
WISE Software Ltd	Saxilby	The company will develop a 'goods to picker' warehouse automation system, a new robotics arm to their software business.	£218,806
Total grant award			£1,497,665

To March 2020 £1,291,346 of grant has been paid out to the above contracts with match funding of £5,904,738.

The following outputs have been achieved) -

- 75 new jobs (37% of total contracted)
- 20 safeguarded jobs (95 % of total contracted)

Within the year £1,155,843 of grant payments have been made:

Project	Amount £
SDG Access Ltd	130,403
Wolds manufacturing Services Ltd	205,594
Sleaford Building Services LTD	126,242
Tong Engineering Ltd	477,298
Orderwise - Wise software Ltd	216,306
<b>Total 19/20</b>	<b>1,155,843</b>

A release of £27,500 was made to Greenborough Ltd who manages the fund on behalf of the LEP.

### 3.5 Growing Places Fund (Invest to Grow Loan)

The balance as at 1st April 2019 was £3,170,208 (with applied interest).

Within the year we received Loan interest of £283,906. The resulted in an increase of the loan fund (not including cash balance interest) to £3,454,114.

Long term investment Loans as at 31st March 2020 amounted to £4,300,000 as follows:

- £3,500,000 - Chestnut Homes - Boston Quadrant
- £800,000 - The Lincolnshire Bomber Command Memorial.

No further loan applications were submitted in 19/20. Under the current grant determination £1,908,428 should be used as loan funding and £1,545,686 has some flexibility in its use e.g. grant funding. Work continues on reviewing all funds to assess their flexibility especially with regards responding to COVID - 19 Recovery Plans.

### 3.6 Growth Hub / EU Exit

The Business Lincolnshire Growth Hub has the following objectives;

- To provide a service that meets the identified needs of businesses
- Work to align business support offers
- Develop greater intelligence to deliver an added value offer
- Develop and implement a segmented service offer
- Investigate future sustainability options
- Develop strong partnerships with professional intermediaries

Within the year the growth hub received and spent £246,000 to deliver their objectives. This year produced great successes and a full report will be circulated to the committee once finalised at the end of the month. The information below provides a snapshot key metrics from services directly delivered by the Business Lincolnshire Growth Hub.

Figures from April 2019 to 31 March 2020	Number
Growth Hub Adviser Engagements	1,682
Business Diagnostics	1,033
Client satisfaction with Growth Hub Service	95 %
Businesslincolnshire.com unique users	28,615
No of Individuals helped to start a business	196
Business Workshops event attendees	678
Grants approved - cumulative	633
Total value of Grants Paid - Cumulative	£2,099,078
Private Sector Match Secured - Cumulative	£5,066,752
Facebook Likes - Cumulative	1093
Twitter followers - Cumulative	5788
Linked In Community - Cumulative	199
New Jobs Created - Cumulative	1,372

In response to the planned EU Exit on 31st October 2019, additional provision was made available to businesses in terms of information, advisory support, events and website content.

GL LEP/Business Lincolnshire Growth Hub were selected by BEIS to act as the Growth Hub Cluster lead for the East Midlands region.(The Cluster includes GLLEP, D2N2 LEP and Leicester and Leicestershire LEP.)



The Growth Hub received £364,578 in total as follows:

- EM Cluster Exit Readiness - £193,000
  - £50,000 Cluster Lead - GLLEP/ Business Lincolnshire Growth Hub
  - £143,000 - Brexit Business Readiness Support between GLLEP/ D2N2 / Leicester & Leicestershire LEP
- EU Exit Business Intelligence - £140,000 ( between the 3 EM Cluster Growth Hubs)
- EU Exit Project Uplift Funding - £31,579

In summary the funding delivered:

- Supporting roll-out of regional ‘One Government’ EU exit business readiness workshops.
- Drawing together a detailed programme of all regional and local events and wider opportunities which enable direct engagement with business, especially SMEs, and seek solutions where gaps exist.
- Reporting the specific issues that business report as barriers to being ready for EU exit, identify emerging issues/trends in respect of potential economic shocks. Providing weekly reports on activities including business numbers engaged; events delivered, issues raised, issues resolved and issues to be escalated.
- Scaling up the number of businesses (particularly SMEs) engaged and cascading the business readiness message to as many businesses as possible before the 31st October.
- Focus on explaining and advocating for the clear readiness actions that all businesses can take and providing them with quick access to EU exit support collaterals. Signpost businesses to other sources of further information and support (local, national, public and private) where required.

### 3.7 Single Local Growth Fund

At year end we currently hold contracts with an agreed grant contribution of £119,147,638. The LEP is 96.36% contracted against its total growth Deal allocation of £123,647,638. A remaining contract of £4.5million is in negotiation and it is expected to be signed as a deed in early 20/21.

Of the amount contracted the LEP are contributing an average intervention of 33.29% with match funding on project contracts to a value of £238,734,521.

Within the year we received our fourth tranche of growth deal monies to the sum of £6,809,606. The table below shows how the monies were distributed across the growth deal projects.

PROJECT NAME	Single local Growth Fund
Boston Quadrant	201,126
Grantham Southern Relief Road	4,752,607
Unlocking Rural Housing	100,000
Skegness Gateway	526,934

Normanby Enterprise Park	688,708
Agri-food Centre of Excellence	511,680
Holbeach Peppermint Junction	31,615
Lincoln Medical School	4,477,500
Access to Employment Zones 2	664,682
Advanced Engineering R and D Centre	157,790
Grantham Technology and Innovation Centre	200,000
Gainsborough Growth Phase 2	25,000
Riseholme roundabout	213,572
Huttoft	14,657
Sleaford Growth Project	134,175
Europarc Food Enterprise Zone	822,406
DTLA	375,853
South Humber Infrastructure Investment Programme Phase 2	775,413
Due diligence costs	45,071
<b>Total Programme</b>	<b>£14,718,789</b>

Freedom and Flexibilities were used within the year including increasing intervention rates on eligible evidenced expenditure for Grantham Southern Relief Road and Lincoln Medical School. In previous years the LEP used other freedom and flexibilities including utilising spend on aligned Lincolnshire County Council projects to fulfil government spend targets and effectively reserve the monies for use in previous years. Of the £18.6Million identified in this measure £7.9m was utilised in 19/20.

Within year £126,905 was accrued to be paid back from the Hemswell Food Enterprise project following a withdrawal from the project applicant. These monies will be placed on the reserve once received in 20/21. £3,649,858 had previously been paid back from the withdrawal of the Grantham College project and Skegness Countryside Business Park. This reserve is expected to be used in future years against the current contracted projects.

	ACTUAL	Forecast*	Total ALL Years
	TO Mar 2020	2020/21	
	TOTAL	TOTAL	
SLGF Allocation	105,494,586	18,153,052	£123,647,638
Project spend	95,138,500	28,509,138	£123,647,638
Offset used	-8,208,163	-10,356,086	-£18,564,249
Offset gained	18,564,249	-	£18,564,249

- Spend on LCC capital projects (offset) amounts to £18.5 million. We forecast to utilise £7.8million in 2019/20 however this was slightly higher.

- The remaining balance will be utilised in future years and will be profiled based on updated impact information during COVID.
- The other freedom and flexibility that has been used is the making of advance payments on projects. To date £25.219million has been released in this way. As at March 20 £20.176 million had been evidenced.
- £3.776M of funding paid back due to withdrawn projects is being held on reserve.

\*NB prior to COVID the programme was set to deliver the remaining contractual spend in 20/21 however we are currently reviewing the impact of COVID including delays on site, supply chain, applying government guidance etc. It is expected that we will need to use our freedom and flexibilities where project slippage occurs.

The programme outputs that have been achieved and evidenced :-

Key Output	Description	Actual to date	% of overall target
Housing	Housing units completed	503	16
Jobs	Jobs and apprenticeships created	631	13
Skills	Area of new or improved floorspace	6,528	45%
Skills	No. of new learners assisted	1,650	35%
Transport	No Target with Greater Lincolnshire		

We continue to work with projects in providing good evidence for outputs and this does not solely focus on the key Target outputs reported in the Local Growth Fund Data returns but also on addionality captured in both quantitative and qualitative measures.

### 3.8 Cash balances and Interest

The total cash balance as at 31<sup>st</sup> March 2020 held on behalf of the LEP by the Accountable body is £10,289,395. In the main cash balances are committed however we have recently undertaken an exercise reviewing what flexibilities we have with funds to enable a recovery response during the COVID pandemic.

Any deposits held within the Council's cash balance, that it holds on a daily basis, on behalf of another body or party is allocated interest at a daily average yield rate, compounded quarterly over the year. Gross interest is detailed below:

<b>Cash Balance 1</b>	Core Funding, Reserves and other cash balances	<b>£11,603</b>
<b>Cash Balance 2</b>	Growing Places Fund (Invest to grow)	<b>£56,909</b>
<b>Cash Balance 3</b>	Single Local Growth Fund	<b>£93,595*</b>

\*As part of 18/19 year end procedures the Accountable Body reviewed interest calculations and identified an adjustment for an additional £23,763 for Cash balance 3. This was added within the 19/20 financial year and was utilised for Feasibility Fund.

**Recommendations:**

- Interest gained on the core funding and Single Local Growth Fund to be held on reserve for future allocation on identified activity.
- Interest of £56,909 gained on cash balance 2 to be placed back in the loan fund for future use as per the cash Balance and reserve policy.