

Finance & Audit Committee			Paper 0
Date and Time: 5 th March 2020 at 2PM Venue: Bentley Hotel, Lincoln			
Item No	Item and Brief Description	Lead	Additional Information
1 5mins	Welcome and Introductions <ul style="list-style-type: none"> Apologies for Absence and Declarations of Interest Matters arising Actions update 	Chair - Andy Orrey	Paper 0.1
2 5mins	Draft F&A Minutes <ul style="list-style-type: none"> Oct 2019 - For approval and publication 	Chair - Andy Orrey	Paper 1
3 15mins	FYE Interim Report <ul style="list-style-type: none"> Q3 questions arising/ FYE arrangement and audit/ annual report and AGM/ timeline/ recruitment 	Kate Storey/ Lindsay Hill Pritchard - LEP/ Accountable body	Paper 2 <i>Additional Paper 1</i>
4 30mins	2020-2021 Budget Setting <ul style="list-style-type: none"> Review and recommendations on draft expenditure budget 	Lindsay Hill Pritchard/ Kate Storey	Paper 3
5 15mins	Policy Review <ul style="list-style-type: none"> Annual requirement for Financial Interest & Reserves Policies 	Kate Storey - LEP	Paper 4 <i>Additional Papers 2&3</i>
6 10mins	Growth Deal overview <ul style="list-style-type: none"> Summary and update from Accountable Body 	Louise Higham	Paper 4
7 5 mins	AOB	Chair - Andy Orrey	Verbal

Confirmed: Andy Orrey (Chair)
Ian Knowles
Stephen Deville
Robert Griffiths

Lindsay Hill Pritchard
Kate Storey
Ruth Carver
Louise Higham
Sue Groves

Apologies: Laura Spittles

Additional Papers:

- Investment Board Minutes: see papers and minutes on the website at:
<https://www.greaterlincolnshirelep.co.uk/about/boards/investment-board/>
- Additional Paper 1 - Q3 Finance report to board (Jan 20)
- Additional Paper 2 - Finance Interest Policy
- Additional Paper 3 - Finance Reserves Policy

Welcome and Apologies

Present

David Dexter (LEP Deputy Chair and Director) (DD) - Acting Chair

Ian Knowles (IK)

Stephen Deville (SD)

Robert Griffiths (RG)

Officers - Linsay Hill Pritchard (LCC/ Accountable Body) (LHP), Kate Storey (LEP Commissioning Officer) (KS), Ruth Carver (LEP Director), Laura Spittles (Minute Taker)

Apologies:

Andy Orrey, Samantha Harrison

DD welcomed all the meeting and deemed it quorate and asked for any declarations of Interest. Nothing declared.

DD also welcomed Robert to his first F&A Committee Meeting.

F&A Committee Minutes of Previous Meeting

Action List updated.

RG asked for clarification on the current bank account situation. As discussed previously it was still decided to use the LCC bank as the LEP money is easily identifiable.

Draft minutes from May 2019 approved.

Business Lincolnshire Growth Hub

LHP gave an overview of the Growth Hub to the Committee as Samantha Harrison was unable to attend.

Business Lincolnshire is set up to help support Greater Lincolnshire based businesses to start and grow. Business Lincolnshire hosts a Growth Hub - a single place to go to for business experts and mentors, support and guidance, grants and finance. The Growth Hub has been in place for about 4 years and is considered as very successful.

Over the next 12 months they will be helping Businesses deal with Brexit after being given some additional funding. This activity will cover the East Midlands area as well as Greater Lincolnshire. They will be available to signpost queries and to get the message out over Brexit.

LHP is interested in meeting with the Growth Hub to discuss their target levels and to see how they are being achieved. LHP to report back at a future F&A Meeting.
LHP will send round the report provided by Samantha Harrison. DD wished to pass on his thanks to Samantha and her Team for the success of the Growth Hub.

2019/20 6 Monthly Review and Report from the Accountable Body

The paper provided by LHP was split into 4 parts:

- Whole Year Forecast for 19/20
- Activity until September
- Reserves
- Improvement Plan

In the past the finances were reported to main Board on a quarterly basis. This has now changed to show funding for the whole year. LHP would welcome any suggestions as to the best way of showing this.

The current finances are showing expenditure of £863K with identified income of £840K which leaves a gap of £23K. RC stated she isn't concerned about this gap however there is a slight concern with being at capacity for current planned spending. The recommendations from the Accountable Body are to look at budget realignment, speak to Government about additional funding (the second payment of £100,000 for the LEP review) and identify more partner contributions.

The LEP have received over £7.5 million of funding within the year including the core funding allocation and another part of the Single Local Growth Fund. Current expenditure for the period amounts to £1.086 million.

Funding has been received now that the 3 Career & Enterprise Advisors are in place. This has been received from the Career & Enterprise Company (one off payment and grant claims) and contributions from district councils to help support the activity.

The LEP received £100,000 in 18/19 to help support the recommendations within the LEP Review. Another £100,000 will be given once the Geography situation is resolved.

The feasibility fund has been split into 2 separate pots. The original feasibility pot is expected to spend £51.5K in 19/20. The commissioned feasibility pot is currently £204K and work is on-going to review submissions following the pipeline call.

There is still £4.3million loaned out under the Invest and Grow Loan. This is to Boston Quadrant and the Bomber Command Centre.

The table showing the reserves that was presented to Board showed an incorrect figure. LHP to amend this before sending to main LEP Board.

The result of an Annual Performance Review between the LEP and BEIS has agreed an improvement plan. There is no formal assessment for this so the LEP will remain good at governance. This review will now be a regular feature of the year.

LEP Governance - aligned TORS

The final draft of the new Terms of Reference has been drawn up with the Solicitor. They are still of a similar style but longer and more comprehensive.

It was noted that there is a slight error in the numbers of Members to be on the Committee. KS to amend.

It needs to be raised at Board who has Financial Controls. It is also recommended that a member of the main LEP Board should sit on the F&A Committee as good practice.

A table would be useful to highlight what specifically the F&A Committee are responsible for and what the expectation is.

LCC Internal Assurance Framework Audit Report

The LAF was published in March 2019. An independent review was carried out with the internal audit team to make sure all actions were covered off. A few gaps were identified and are currently being resolved.

It was noted that the documents on the website can be quite hard to find. Work is underway to resolve and streamline this.

The F&A Committee agreed a recommendation that this work is completed by the end of November.

The scheme of delegation was signed off by the main LEP Board in March 2019. There is a possibility that this needs fine tuning. LHP to look at this in more detail.

Going forward a standing item on the agenda will be the LAF.

Risk Review

An updated version of the Risk Register was presented to the Committee after some changes were made following the previous meeting. This will now be presented to main Board quarterly.

The point was raised again about ownership and what should happen to these tasks / risks if the named person isn't available. RC stated that a LEP Director position is being looked into.

The risk of the Geography issue needs amending. It has a residual level of amber but this currently isn't a cause for concern of Government.

The VAT risk would benefit from being looked at again to make sure there are no changes that have occurred.

It was also questioned that the current risks may need 'testing' to make sure that the controls put in place are working. KS to look at this in more detail.

AOB

There is a Recruitment Programme currently on-going to fill positions on various Boards. KS asked if the Committee can push this out through their various channels.

LHP asked for the Committee's thoughts on procuring an Auditor now ready for next year. Duncan & Toplis carried out the Audit last year but were only contracted for the one year. F&A Committee happy to agree this is procured now but recommended the contract is for at least 3 years and also one Committee Member would like to be involved in the process.

DD thanked the LEP & Accountable Body Team for all the hard work that goes into the tasks carried out.

Date of Next Meeting

TBA

DRAFT

Paper 2 LEP FYE Interim Report

Publication	Public Paper (published)					
Meeting date:	5 March 2020					
Agenda Item:	3					
Item Subject:	LEP Financial Year End Interim Report					
Author:	Kate Storey/Linsay Hill Pritchard					
For:	Discussion	Yes	Decision	Yes	Information	Yes

1 Overview

1.1 The paper seeks to update the committee in a number of areas including:

- LEP Chair Recruitment
- Financial Year End Arrangements
- LEP Annual Report
- Annual General Meeting(AGM) Sign off
- Action timeline

2 Recruitment

2.1 The LEP has undertaken a wide reaching national recruitment process contracting Penna HR to oversee the process and targeted executive activity.

2.2 The original shortlist determined that further approaches were needed to:

- Remodel the structure to provide more support from the wider board and thereby encouraging the high % deterred by the time commitment,
- Secure some female candidates and
- Revisit options within the current Board of Directors'.

2.3 A final shortlist of 4 was drawn up with interviews taking place between 12th - 24th February. The recommendations have been circulated to the Board for endorsement by Friday 28th February to meet the government imposed deadline of 1st March to have a new Chair in place. A verbal update of the outcome will therefore be given at the F&A Committee.

2.4 **Other Recruitment** - Bransby Horses was endorsed as a company member by the Appointments Committee, enabling Stephen Deville to remain as a F&A Committee Member as the named representative for Bransby Horses.

3 Audit and FYE

3.1 The financial year end process is currently being implemented with a focus on ensuring activity is maximised, grant claims submitted and ensuring suppliers are aware of deadline dates and early invoicing requirements.

3.2 The Audit will take place on 18th - 20th May 2020 and will be undertaken by Duncan & Toplis Accountants.

Paper 2 LEP FYE Interim Report

- 3.3 On reviewing the previous audit requirements, we had previously asked for quotes covering a 2 year period and whilst not formally contracted it was recommended that we engage with Duncan and Toplis again for the 19/20 audit.
- 3.4 Following the closure of the accounts for 19/20 we will undertake a further procurement exercise to cover the LEP audits for 2-3 years (dependent on confirmed LEP income funding streams.)

4 Quarter 3 Financial review

- 4.1 An update on the financial position to the period December 2019 was submitted to January 2020 Directors Board (See Additional Paper 1).

5 LEP Annual Report & AGM

- 4.1 The AGM and LEP Annual conference will take place on the 10th July 2020. Additional resource is being procured to support the process in line with the successful team in place last year.
- 5.2 The Annual Report for 2019/20 will be the first to follow a statutory formalised style agreed by Government. The previous year's report was based on draft guidance and was well received amongst our various stakeholders. We will build on this success and incorporate feedback from our Annual Performance Review. Details of a suggested format will be submitted to LEP board on the 20th March.
- 5.3 The Annual Report is required in hard copy for the Annual Conference on 10th July.

6 Sign off and Timeline

- 6.1 To meet sign off target the timeline below has been devised as a rolling plan.
- 6.2 This takes into account that the Directors board requires a timely oversight of quarterly finances resulting in the need for some periods to be viewed by the Board and F&A Committee simultaneously.

Board	Reporting period	Method	Agenda items	Dates
F&A COMM	Q3 / New FY	F&A meeting	<ul style="list-style-type: none">Q 3 discussion post board moving to year endPolicy updatesDraft Budget (setting) review	05 th March 2020
BOARD	FYE/ New FY	Board Meeting	<ul style="list-style-type: none">FYE interim report on audit/ Annual report/ AGM / sign off timelineCore Budget 2020-21	20 th March 2020

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BOARD	Q4	Board Meeting	<ul style="list-style-type: none"> Q4 interim report 	21 st May 2020
F&A COMM	Q4	Written procedures	<ul style="list-style-type: none"> Q4 interim report - for info 	21 st May 2020
F&A COMM	Q4	F&A meeting	<ul style="list-style-type: none"> Q4 report and final recommendations FYE Annual report Audit 	Early June
BOARD + Chair of F&A	Q4	Written procedures	<ul style="list-style-type: none"> Q4 report - final 	Late June 2020
AGM	Q4	AGM Endorsement of 19-20	<ul style="list-style-type: none"> Presentation Annual report 	10 th July 2020 (AGM & Conference)
BOARD	Q1	Board Meeting	<ul style="list-style-type: none"> Q1 interim report 	24 th July 2020
F&A COMM	Q1	Written procedures	<ul style="list-style-type: none"> Q1 interim report - for info 	24 th July 2020
BOARD	N/A	N/A	<ul style="list-style-type: none"> No finances to this board 	25 th September 2020
F&A COMM	Q2	F&A meeting	<ul style="list-style-type: none"> Q2 (6 monthly interim report & recommendations) Audit selection Area progress update F&A ToRs review 	Early / mid Oct
BOARD	Q2	Written procedures	<ul style="list-style-type: none"> Q2 interim report with recommendations 	October 2020
BOARD	Q2	Board meeting	<ul style="list-style-type: none"> Rectification/ re-assigning budget post 6 monthly review 	27 th November 2020
BOARD	Q3	Board Meeting	<ul style="list-style-type: none"> Q3 interim report 	January 2021
F&A COMM	Q3	Written procedures	<ul style="list-style-type: none"> Q3 interim report - for info 	January 2021

7 Recommendations

7.1 The committee is asked to note the contents of the report and agree the financial timeline plan detailed at section 6.2.

Paper 3 2020/21 Budget Setting

Publication	Public Paper (published)					
Meeting date:	5th March 2020					
Agenda Item:	4					
Item Subject:	2020/21 Budget Setting					
Author:	Linsay Hill Pritchard/ Kate storey					
For:	Discussion	X	Decision	X	Information	

1 Overview

- 1.1 This report provides the Finance and Audit committee with an outline budget for the financial year 2020/21 and recommends that the committee recommends for the LEP Board to approve the outline budget as presented, subject to the Delivery Plan being approved in March 2020.

2 Background

- 2.1 The budget for the financial year 2020/21 is summarised in the table below:

LEP OUTLINE BUDGET 2020-21		
Sub-headers	Expenditure Budget 20/21	
Staffing permanent	£	212,905
Staffing Seconded	£	46,083
Staffing fixed term	£	177,395
Staffing Business Support	£	2,500
Staff sundries	£	11,700
<i>Sub Total</i>	£	450,583
Company (board/ insurances/ audit/misc.)	£	13,000
Legal services	£	3,500
Governance	£	25,000
Independent domain (legal personality)	£	3,360
<i>Sub Total</i>	£	44,860
Subscriptions/ contributions	£	27,000
On-going supplier delivery	£	184,960
Targeted activity (contributions)	£	75,000
Strategy/ policy development	£	30,000
SAP	£	95,000
Sector Development	£	30,000
Legal services	£	1,500
Est. Accountable Body Costs	£	75,000
<i>Sub Total</i>	£	518,460

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Research	£	25,000
Skills (ESB)	£	10,000
<i>Sub Total</i>	£	35,000
Total Estimated Expenditure	£	1,048,903
Sub-headers	Income Budget 20/21	
CORE FUNDING	£	500,000
Reserves	£	224,399
CEC Match (YR2)	£	68,693
SAP	£	75,000
LCC Contribution (not including staff match)	£	64,236
Estimated Interest generated		
Growth Deal/Core	£	32,000
Total Estimated Income	£	964,328
Net Position	-£	84,575

- 2.2 The budget is set to enable delivery of the Local Industrial Strategy and the Strategic Economic Plan objectives and the various grants and loan funding programmes the largest being the Single Local Growth Fund Programme (£123million).
- 2.3 Aligned to the strategies above, LEP's are required to prepare a delivery plan for the financial year. These are agreed with both local partners and the Ministry of Housing, Communities & Local Government by the end of May 2020.
- 2.4 The delivery plan will focus on the LEP programme of activities and projects and will include our strategic objectives, project forecasts and milestones for the year ahead, and details on our wider activity and influencing/partnership working role. Therefore the outline budget presented to the committee will be subject to the view of the LEP Board on the Delivery Plan which is scheduled for 20th March 2020.
- 2.5 Forecasted expenditure is £1,048,903 and in addition circa £250,000 will be achieved in matched expenditure. The planned draw down on reserves is expected to be £174,399. The committee will note that current staff resources for the year amounts to £450K (45% of total operational spend). The LEP Team consists of:
- A number of permanent staff including, Chief Executive (1 FTE RC), a Skills Lead (1FTE CH), a LEP Officer (1FTE KS), Programme Manager (1 FTE HD), a PA (1FTE SG), a Policy and Research Manager (1 FTE JB), Project Officer (0.77 FTE LS), Research Analyst (1FTE). These posts are matched by £158K of LCC resources.
 - Other Project Staff (Secondees and Fixed term) consists of 3 FTE Enterprise Co-ordinators, Skills Delivery Post (1FTE) a Housing advisor (0.6 FTE CJ), and a Policy Director (0.2 FTE LS).
- 2.6 Forecasted income is expected to be £675,693 and is made up of £500,000 core funding, £75,000 Skills Advisory Panel Funding, interest generated of £32,000 and £68,693 of Enterprise Co-ordinator grant. Existing reserves of £224,399 will also be utilised along with further contributions from Lincolnshire County Council of £64,236.

Paper 3 2020/21 Budget Setting

- 2.7 This makes a total estimated income of £964,328 which leaves a gap of £84,575.
- 2.8 Due to unresolved geography the LEP continue to be in negotiation for the release of £100,000 by Government for capacity to implement the LEP Review. Activity within the estimated expenditure budget includes such work. As not all of the expenditure identified is committed further recommendations would be made in year to reduce the gap by either reducing activity or by sourcing additional funding from partners.

3 Future planning

- 3.1 The table below provides a forward look on how the budgets would look in 2021/22 and 2022/23.

LEP OUTLINE BUDGET 2021-23		
Sub-headers	Estimated Position 21/22	Estimated Position 22/23
Staffing permanent	£ 227,162.91	£ 241,706.17
Staffing Seconded	£ 47,546.72	£ -
Staffing fixed term	£ 53,077.00	£ -
Staffing Business Support	£ 2,500.00	£ 2,500.00
Staff sundries	£ 10,000.00	£ 5,000.00
<i>Sub Total</i>	£ 340,287	£ 249,206
	£ -	£ -
Company (board/ insurances/ audit/misc.)	£ 14,500.00	£ 14,500.00
Legal services	£ 3,500.00	£ 3,500.00
Governance	£ 1,500.00	£ 1,500.00
Independent domain (legal personality)	£ 1,500.00	£ 1,500.00
<i>Sub Total</i>	£ 21,000	£ 21,000
	£ -	£ -
Subscriptions/ contributions	£ 27,000.00	£ -
On-going supplier delivery	£ 132,000.00	£ -
Targeted activity (contributions)	£ 25,000.00	£ -
Strategy/ policy development	£ 10,000.00	£ -
SAP	£ -	£ -
Sector Development	£ 5,000.00	£ -
Legal services	£ 30,000.00	£ -
Est. Accountable Body Costs	£ 65,000.00	£ 50,000.00
<i>Sub Total</i>	£ 294,000	£ 50,000
	£ -	£ -
Research	£ 25,000.00	£ -
Skills (ESB)	£ 10,000.00	£ -
<i>Sub Total</i>	£ 35,000	£ -
Total Estimated Expenditure	£ 690,287	£ 320,206
Sub-headers	Estimated Position 21/22	Estimated Position 22/23

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CORE FUNDING	500,000	-
Reserves	109,401	295,129
CEC Match	26,538	-
LCC Contribution (not including staff match)	64,236	64,236
Estimated Interest generated Growth Deal/Core	10,000	2,000
Total Estimated Income	£ 710,175	£ 361,365
Net Position	£ 19,888	£ 41,159

- 3.2 For the year 2021/22 the budget continues activity as planned with reductions in staffing levels due to contracts ending and a reduced amount of spend on activity. This takes account of the relative unknowns as to future funding allocations.
- 3.3 Similarly in 2022/23 budgeted activity drops considerably with the use of the core reserve to cover permanent staff as agreed previously with Board.
- 3.4 LEP's are positively encouraged to work on their local industrial strategies for the area, which develops the long term vision of the economy. The LEP network is lobbying national government for additional resources to build capacity for both the implementation of the LIS and preparation for UKSPF, the successor funding to European funding.

4 Recommendations

- 4.1 Recommendation - The Finance and Audit committee are asked to discuss and recommend the Budget for 2020/21 and the position for future years.

Publication	Public Paper (published)					
Meeting date:	5 March 2020					
Agenda Item:	5					
Item Subject:	LEP Governance and policy Review					
Author:	Kate Storey					
For:	Discussion	Yes	Decision	Yes	Information	

1 Overview

- 1.1 The Finance & Audit Committee has responsibility for the financial and governance scrutiny of activity for reporting and recommending to the Directors' Board.

2 Policy Reviews

- 2.1 The following two policies require review and input from the F&A Committee to recommend to the Directors' Board on 21st May 2020. These were last endorsed by Board in May 2019 and currently require annual review (subject to any recommended changes being submitted.)
1. LEP Financial Interest Policy (Additional paper 2)
 2. LEP Financial Reserves Policy (Additional paper 3)
- 2.2 As per our company procedures, there is a requirement for the policies to be reviewed yearly and a recommendation made to board to either:
- Recommend policy changes
 - Continue with the existing policies
- 2.3 The committee are asked to consider whether they would recommend any amendments.

Paper 5 Greater Lincolnshire Growth Fund

Publication	Public Paper (published)					
Meeting date:	5 March 2020					
Agenda Item:	6					
Item Subject:	Report to update on the Greater Lincolnshire Growth Fund					
Author:	Louise Higham					
For:	Discussion	Yes	Decision		Information	Yes

1. Summary

This report provides an update from the Accountable Body on the progress of the Greater Lincolnshire Growth Fund. This fund is managed and delivered through the Business Lincolnshire website and administered through a contract with Greenborough Management Limited, a business growth and project management service.

We focus on the current contracted projects and their spend position.

2. Background

Lincolnshire County Council continues to deliver the Accountable Body service for the Greater Lincolnshire LEP. We administer all funding on behalf of LEP including their core funding, other core contributions, growth hub, loan funding, the Growth Deal and the Greater Lincolnshire Growth Fund which forms the basis of this report. We also hold all reserves on behalf of the LEP.

£2,925,000 of grant funding was made available to both small and medium enterprises and larger businesses within the Greater Lincolnshire area. Grants are available between £150,000 and £500,000.

3. Background information

The Greater Lincolnshire Growth Fund was created to support private sector businesses operating in one of the LEP's priority sectors and to add value to other existing funding streams. Priority sectors for the LEP include Agri-food, Manufacturing, Health and Care, Ports and Logistics, Visitor Economy, Low Carbon and Digital). Projects should be transformational and align with the wider ambitions of the Strategic Economic Plan to help businesses across Greater Lincolnshire increase productivity and create new wealth and jobs.

In line with the responsible use of public funds, applicants will be expected to provide match funding covering as much of the project's costs as they are reasonably able to. The percentage of project costs required to be provided by the applicant is variable and assessed by the grant panel on a case by case basis.

The applicant will not incur any costs at Expression of Interest stage. The applicant will only incur a cost once they have been invited to full application. The applicant will need to seek independent State Aid advice and submit this confirmation along

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with their full application. There is a variable fee associated with this independent service, which will depend on the service provider.

Prior to submission of the full application, the LEP will commission an independent due diligence exercise on the applicant. The fee, which is covered by the applicant, is based on the level of grant requested:

- Grants of £150,000 - £250,000 = £2,500 + VAT
- Grants of £250,001 - £375,000 = £5,000 + VAT
- Grants of £375,001 - £500,000 = £10,000 + VAT

4. Contracted projects

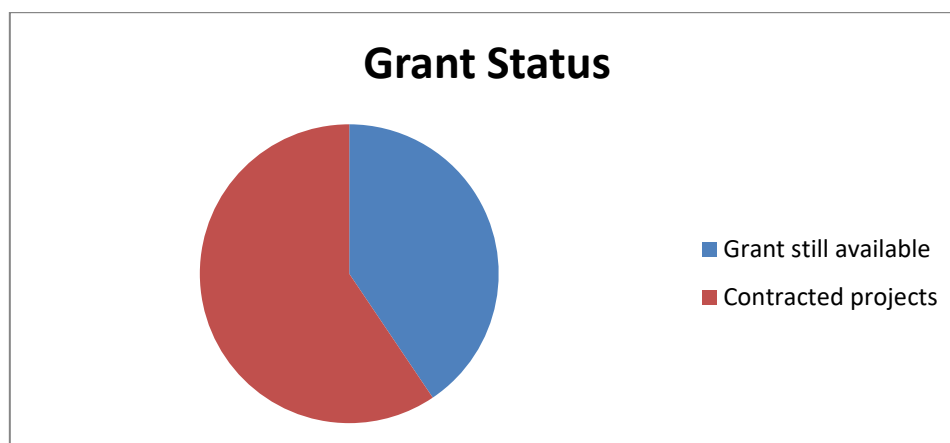
Up to February 2020, there are 6 contracted projects to a value of £1,995,877.

Company	Location	Project Summary	Grant	Intervention rate
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	20%
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	30%
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	30%
Sleaford Building Services	Sleaford	To purchase and develop a new building consolidating all of their 3 current sites into one. This will allow SBS to increase their manufacturing	£298,072	30%

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		output and help the business achieve their long term growth plans.		
Wise Software (Orderwise)	Saxilby	To build a robotics production unit and a full scale warehouse facility for the testing and demonstration of their robotics package, including a picker warehouse automation system - a new arm to the business. This will increase their product portfolio and sustain the long term growth plans for a major employer in the area.	£218,806	20%
ParkAcre Enterprises Limited	Hemswell Cliff	To build of a new warehouse facility and the development of an Innovation centre. The new warehouse will allow the recipient to increase their manufacturing facility, removing the bottlenecks that are stunting business growth and develop an Innovation Centre for long term new product development. This will allow ParkAcre to increase their production output and help the business achieve their long term growth plans, critical for a major employer within the area.	£500,000	£20%
Total grant award			£1,995,877	

Grant paid to February 2020 is £1,083,951 with match funding at £4,860,358.



5. Outputs

We can report that the following outputs have been achieved as at the Q3 period (December 2019) -

- 51 new jobs (49% of total contracted)
- 20 safeguarded jobs (95 % of total contracted)

6. Recommendations

It is recommended that the Investment Board notes the position of Greater Lincolnshire Growth Fund.

Actions list from previous meetings	Actioned/ Update
<ol style="list-style-type: none"> 1. Member of Growth Hub will be invited to a future meeting 2. Louise Greensmith (Accountable Body) to be invited to a future meeting 3. LHP to produce a table showing what percentage of Feasibility Fund Projects went on to receive full funding 4. With the new LAF being developed - provide an overview and some training to Board members. This may be done locally or may be provided on a national basis by the central team 5. Further invites will be scheduled to increase the knowledge of the committee in the various work areas of the LEP 6. The issue of spend on projects is still challenging and some projects could be swapped with more achievable ones - possibly housing schemes. DD to raise at next Board meeting with support from Nick Worboys 7. Simon Murphy (Growth Hub - China Business Relationship) to be invited to a future meeting 8. Andrew Brooks (LCC - Energy & Utilities) to be invited to a future meeting 9. LHP to send Growth Hub report 10. LHP to amend Reserve figure on AB report prior to board submission 11. KS to review and amend Member numbers on draft TOR's 12. LHP to review the scheme of delegation limits 	<ul style="list-style-type: none"> • Will take place during a 2020 meeting • Actioned for 2020 meeting • Underway • Planned for board roll out from the Summer 2020 (delayed due to resourcing) • To begin following FYE Mtg. • The LEP Invited calls for projects and have a strong pipeline of schemes (published on the LEP website). • Will take place at 2020 meeting • Will take place at a 2020 meeting • Actioned with minute distribution • Actioned • Actioned • This will be actioned as part for the policy review scheduled

	for May Board
Previous Action Log - Completed	
<p>KS to re-draft Policies and TOR's as per points raised in minutes</p> <p>LHP to add a column onto the project spread sheet to show the outputs of the projects</p> <p>LHP to report the average intervention rate on the Growth deal programme</p> <p>The risk register will be updated with Job role and current named person responsible</p> <p>LHP to look into more provision to commit reserves for Core Funding</p> <p>KS to look into wording on Risk Register for Target Level</p> <p>KS to provide a list of suitable topics and guests to keep the Committee informed of relevant items</p> <p>LHP to liaise with Andrew Brooks regarding the Broadband Bid details and put him in touch with Ian Knowles</p> <p>LHP to provide a detailed report on what has been allocated and spent by SLGF Projects</p> <p>KS to alter Risk Register colours to make it more clear</p> <p>KS to investigate whether the LEP are aware/looking at the Civil Society Strategy</p> <p>KS to provide the LEP Structure Chart</p>	

Paper 2.1

Greater Lincolnshire LEP Finances 19/20

1 Summary

1.1 This report provides an overview of the financial standing of the Greater Lincolnshire LEP and summarises the financial income and expenditure covering the period 1st April 2019 - 31st December 2019 Quarter 3.

1.2 The Board is asked to review and approve the contents of the report

2.0 Summary Budget for Financial Year 2019/2020

2.1 The board received a report in October detailing the budget realignment exercise that had been undertaken including maximising partner contributions. The board agreed to delegate to the Chief Executive to seek additional funding from local partners, fully utilise reserves, seek secondments to deliver activity and to lobby government for additional core funding for future years. This activity is ongoing for future years, with proposals submitted for additional partner contributions, progress made on skills recruitment.

2.2 Confirmation of core funding for LEP's is an ask for all LEP's in the budget submission. The quantum and continuity, will be key in ensuring we can operate effectively going forward.

2.3 Work continues to progress the recommendations made and the report below highlights the current status of funding for the 2019/20 period with a forward look into 20/21 and 21/22.

2.3 The table below shows

Budget Heading	Estimated Position 19/20	Estimated Position 20/21	Estimated Position 21/22	Estimated Total for next 3 years Delivery	Totals at Board October 19
Staffing	£ 325,321	£ 403,021	£ 317,713	£ 1,046,055	£ 1,065,169
Board Governance	£ 20,738	£ 17,300	£ 16,000	£ 54,038	£ 51,674
Operational Delivery	£ 499,855	£ 395,913	£ 309,000	£ 1,204,768	£ 1,201,300
Total Expenditure	£ 845,914	£ 816,234	£ 642,713	£ 2,304,861	£ 2,318,143
Core Funding	£ 500,000	£ 500,000	£ 500,000	£ 1,472,061	£ 1,500,000
Capacity Funding	£ 87,242	£ 12,758	£ -	£ 100,000	£ 100,000
Estimated Interest Generated Growth Deal/Core	£ 40,131	£ 22,000	£ 500	£ 62,631	£ 62,631
Partner Contributions	£ 191,480	£ 9,600	£ -	£ 201,080	£ 219,513
Reserves	£ -	£ 104,485	£ 66,047	£ 170,532	£ 170,532
External income	£ 55,000	£ 114,305	£ -	£ 169,305	£ 169,305
Total income	£ 873,853	£ 763,148	£ 566,547	£ 2,175,609	£ 2,221,981
GAP	£ 27,939	-£ 53,086	-£ 76,166	-£ 101,313	-£ 96,162

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- 2.4 We expect expenditure in 19/20 to amount to £845K with identified income of £873k therefore we have an excess of income of £27k. These monies will go on reserve and be utilised for the estimated overspend and activity in future years.
- 2.5 The small variance in expenditure has partially resulted in the short delay in recruiting the Skills Manager post. This was originally scheduled to start in November 2019 but we are now forecasting April 2020 depending on successful recruitment in January. We estimated using £209K of partner contributions for 19/20 but is now expected to be £191K due to limited resources to delivery identified activity.
- 2.6 Should the budget gap remain in future years we would recommend that the balance is taken from the LEP Core Reserve of £295K. It should be noted that this reserve is effectively uncommitted but was kept to provide suitable provision to fund the LEP's operation for a year if other funds were withdrawn.

3 LEP Finances to December 19

- 3.1 The LEP have received £7.58 million of funding within the year including its core funding allocation of £500k and the 4th tranche of £6.8million of Single Local Growth Fund following a successful annual conversation sign off. Expenditure for Q3 amounts to £2.47million.
- 3.2 The table below provides a summary on the main LEP finances:

Core Operational Budget	£500k was received in year. Spend to December 2019 is £298K (pending agreement of staff recharges). It is expected that there will be an underspend on the core budget this year which will be placed on reserve. We are on target to spend £472k by year end.
Core Other	<p>1.0 LEP Enterprise Advisor Network</p> <p>79.5K has been received from the Career and Enterprise council:</p> <ul style="list-style-type: none">• One off £50K Kickstart payment• Receipt of income following claim submissions to the sum of £29.5k. <p>A further £4.8k of contributions has been received from 6 district councils to help support the activity.</p> <p>Expenditure to September 2019 is £65k which will be funded from partner contributions.</p> <p>2.0 LEP Review</p> <p>The LEP received £100K of income in 18/19 to support capacity in delivering the recommendations within the LEP review. £77K has been spent to date on delivering</p>

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	<p>this activity specifically in the production of the LIS.</p> <p>3.0 Future Proofing Coastal Tourism</p> <p>Income of £83.7k has been received in advance of activity. Expenditure of £7.3K has been achieved by December 2019.</p>
Feasibility Fund	<p>The Feasibility Fund is split into 2 separate elements.</p> <p>The original feasibility pot is expected to spend £51.5k in 19/20. A payment of £17.6K was made following a reconciliation on the Holbeach Fez Feasibility claim. The last remaining to submit a claim is for Cleethorpes Station quarter.</p> <p>The commissioned feasibility pot is currently £204K and work has been progressed in reviewing submissions following the pipeline call. 3 projects to the value of 33K have been contracted and payments of £11.5k has been made to Huttoft Boat Shed and Gradus Business Centre.</p>
Greater Lincolnshire Business Investment Fund	<p>6 projects have been approved and contracted to a total value of £2m.</p> <p>A management fee of 20K (Greenborough) and project payments to the value of £781,299 have been made to December with £236,163 in the Q3 period.</p>
SLGF	<p>With the first quarter the LEP has received its fourth tranche of SLGF. The allocation is £6.8m.</p> <p>The Quarter 2 Dashboard was submitted to government on 22nd November 2019 following claim review completion to the period September 2019. To date within the year £1.17m has been expended to December 2019. Project claims for the period Oct - December are currently under review and will be fully completed and submitted to government by the 22nd February. We remain on track to commit the full £6.8m and the agreed balance of freedom and flexibility from previous years (£7.3m)</p>
Invest and Grow Loan	<p>Long term investment Loans remain at £4.3m as follows:</p> <ul style="list-style-type: none">• £3.5m - Chestnut Homes - Boston Quadrant• £800k - The Lincolnshire Bomber Command Memorial. <p>Interest of £104.6K has been received from Lincolnshire Bomber Command and Boston quadrant and interest on</p>

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both schemes is up to date.
No further loan applications have been received.

5 Reserves

5.1 The table below shows the start and end position of the cash balances.

Name of Fund	Committed / Uncommitted	Starting Balance	Money In	Money out	Balance at 31st December 2019
Cash Balance 1 - Core Funding, Reserves and other cash balances	Committed	651,573	668,010	-382,858	936,725
	Uncommitted	295,129	-	-	295,129
Cash Balance 2 - Growing Places Fund (Invest to Grow)	Committed	6,244,741	104,608	-830,427	5,518,922
	Uncommitted	-	-	-	0
Cash Balance 3 - Single Local Growth Fund	Committed	3,649,858	6,809,606	-1,170,567	9,288,897
	Uncommitted	-	-	-	0
Partner cash contribution - (Estimated)	Committed	699,000	-	-88,106	652,017
Total		£11,540,301	£7,582,224	-£2,471,958	£16,691,690

Background

All LEP finances are held and administered by the Accountable Body (Lincolnshire County Council) and these are held in LCC's bank account and identified by unique cost codes and shown as individual lines on the balance sheet.

A number of income streams are available, paid to and through the LEP and held in this account.

1. Operating fund

Core operating funding primarily utilised for staffing and key consultancy input. Also for Company business, LEP PR / design functions and expenses.

2. Funding pots (LEP awarded funds)

LEP administered funds allocated / loaned under the Growing Places Fund (Invest and Grow in Lincolnshire) which is a loan fund managed by the LEP. This is a low interest evergreen loan fund with contractual repayment interest being repaid with the loan.

3. Funding pots (LEP bid funds)

Funds secured by the LEP against specific projects/ areas. Funding is paid annually to the LEP against specific project profiling.

4. Asset Transfers

Occasionally other organisations will merge or fold with some of the functions and finances transferred into the LEP. This occurred with the previous Lincolnshire Enterprise transferring assets to the LEP.

5. Organisational Transfers

Continuing organisations brought under the umbrella of the LEP continuing to deliver specific functions. This would include organisations such as the Local Transport Board (LTB) or Skills Funding Agency (SFA) any connected available funding.

Interest is accrued on all funds held for the LEP by the Accountable Body.

Purpose

The purpose of the Interest Policy for the Greater Lincolnshire LEP is to ensure a fair and transparent method of calculating, allocating and distributing LEP interest accrued. The Interest Policy will be implemented along with other governance and policies of the LEP and is intended to support the goals and strategies within the Delivery Plan.

Identification Process

Identification of the interest available requires five steps:

1. Clear identification of interest accrued and actual figures involved - The Accountable Body

will provide the LEP will annual projections and a quarterly report of actual interest accrued.

2. Transparent identification and equivalent costing of in kind services and activities provided by the Accountable Body to the LEP.
3. Agreement of apportionment and allocation of interest between the LEP and Accountable Body.
4. Interest remaining to LEP. Authority for the use of available interest is delegated to the LEP Chair, Chair of the Finance and Audit Committee and the LEP Director. The decision will be based upon the business case and placed into funds in line with this Interest Policy and the Reserves Policy pending any additional usage identified. This will be recommended to the LEP Board by the Finance and Audit Committee as part of the regular financial reporting.
5. Reporting and monitoring - The Accountable Body is responsible for ensuring that the Interest accrued is maintained and used only as described in this policy. Upon approval of the Interest funds, the Accountable Body will maintain records of the use of the funds. The Accountable body will provide regular reports to the Finance and Audit Committee and the LEP Board.

Proposed deployment of Interest accrued

1. Core Funding

Interest accrued on core funding to be allocated to LCC against Accountable Body function.

2. Growing Places Fund (Invest and Grow)

Interest accrued to be returned to the Growing Places Fund.

Interest from loans contractually repaid to be returned to the Growing Places Fund.

3. Growth Deal

Interest as agreed under 2. and 3. of the Identification process above, to be allocated to LCC.

Interest remaining to be placed into the Opportunity Reserve.

Accounting for Interest

The Interest funds will be recorded in the financial records. A statement of Interest will be provided by the Accountable Body annually or upon request by the Finance and Audit Committee.

Review of Policy

This Policy will be reviewed annually, by the Finance and Audit Committee and any recommended changes approved by the LEP Board of Directors. The policy should be reviewed sooner by the Finance and Audit committee if warranted by internal or external events or changes.

The process will be that the Finance and Audit Committee debate and recommend an Interest Policy for the company to adopt at the subsequent board meeting, and the Accountable Body will implement the policy. The monitoring of the policy should be undertaken by the Finance and Audit Committee, and the company should consider the policy annually.

Policy 7: Financial Interest Policy
Reviewed: May 2019
Review Date: May 2020
Policy Lead Officer: Linsay HillPritchard

Background

There are a number of reasons the LEP holds reserves, and these depend on the future activity undertaken by the LEP, how it operates and funds its operations.

- To fund unexpected expenditure – such as retrospective VAT or unexpected legal costs
- To fund shortcomings in income, when income does not reach our expected levels – such as Government reduce core funding in future years
- To fund LEP Schemes – challenge funds
- To retain in the event of costs required for winding up the company

Using a risk identification approach, we can understand the income streams and their risk profile, the degree of commitment to expenditure and the risk environment we operate within in.

All LEP finances are held and administered by the Accountable Body (Lincolnshire County Council).

Purpose

The purpose of the Reserves Policy for the Greater Lincolnshire LEP is to ensure the stability of the ongoing operation of the LEP and to provide a source of funds for projects. The Reserves Policy will be implemented along with other governance and policies of the LEP and is intended to support the goals and strategies within the Business plan.

Sources of Financial Reserves

1. Operating fund

Core operating funding has not always been fully spent on an annual basis building up a general reserve.

2. Funding pots (LEP awarded funds)

LEP administered funds where not all funds are allocated / loaned and an under-spend/ reserve remains. This includes the Growing Places Fund (Invest and Grow in Lincolnshire) which is a loan fund managed by the LEP. This is an evergreen loan fund with interest paid on low interest loans with interest funding being available for any identified LEP activity.

3. Funding pots (LEP bid funds)

Funds secured by the LEP against specific projects/ areas. Unlikely to have any underspend as paid against project profiling but still possible with project adjustments or fall out alongside changing regulations for LEP usage.

4. Interest accrued

See LEP Interest Policy.

5. Asset Transfers

Occasionally other organisations will merge or fold with some of the functions and finances transferred into the LEP. This occurred with the previous Lincolnshire Enterprise transferring assets initially to Lincolnshire County Council and subsequently to the LEP.

6. Organisational Transfers

Continuing organisations brought under the umbrella of the LEP continuing to deliver specific functions. This would include organisations such as the Local Transport Board (LTB) or Skills Funding Agency (SFA).

Identification Process

Identification of the use of reserves requires three steps:

1. Identification of appropriate use of reserves - The LEP Director will identify the need for access to reserve funds and confirm the use is consistent with the purpose of the reserves as identified in this policy. A business case will be developed to use the funds.
2. Authority to use reserves - Authority for the use of reserves is delegated to the LEP Chair, Chair of the Finance and Audit Committee and the LEP Director. The decision will be based upon the business case and use of reserves will be reported to the Board and the Finance and Audit Committee as part of the regular financial reporting. Any reserves previously committed should remain for that purpose.
3. Reporting and monitoring - The Accountable Body is responsible for ensuring that the Reserve Funds are maintained and used only as described in this policy. Upon approval of the Reserve Funds, the Accountable Body will maintain records of the use of the funds and plans for replenishment. The Accountable body will provide regular reports to the Finance Committee and the Board

Proposed Reserve Funds

1. Operating Reserve

Retain 50% of our current funding model in an Operating Reserve for a potential change in the operating model.

The operating reserve is intended to provide an internal source of funds for situations such as increase in expenses, one time unbudgeted expenses, unanticipated loss in funding or legal expenses. The minimum amount of operating reserves shall be equal to the operation of the company for a period of six months. The amount of operating reserve will be calculated each year after approval of the annual budget, and reported the finance and audit committee, and board in the regular reports.

2. Opportunity Reserve

Remainder of uncommitted reserves to be used for this purpose. The opportunity reserve is intended to provide funds to meet the targets of the LEP and the Strategic Economic Plan such as challenge funds, or feasibility funds to unlock strategic schemes across Greater Lincolnshire. Board Directors and LEP Officers can develop ideas to meet the criteria of this

reserve, and consideration will be given to leverage, additionality, impact, and strategic fit.

It is also intended as a source of internal funds for organisational capacity building such as staff and board development, research and development.

Accounting for Reserves

The reserve funds will be recorded in the financial records as LEP Operating Reserves. A statement of reserves will be provided by the Accountable Body annually or upon request by the Finance and Audit Committee.

Review of Policy

This Policy will be reviewed annually by the Finance and Audit Committee and any recommended changes approved by the LEP Board of Directors. The policy should be reviewed sooner by the Finance and Audit committee if warranted by internal or external events or changes.

The process will be that the Finance and Audit Committee debate and recommend a reserve policy for the company to adopt at a future board meeting, and the Accountable Body be asked to implement the reserves policy. The monitoring of the policy should be undertaken by the Finance and Audit Committee, and the company should consider the policy annually.

Policy 8: Financial Reserves Policy
Reviewed: May 2019
Review Date: May 2020
Policy Lead Officer: Lindsay HillPritchard

