



# GREATER LINCOLNSHIRE LEP

## Financial Interest Policy

<b>Name of Document</b>	Financial Interest Policy
<b>Purpose</b>	The purpose of the Financial Interest Policy for the Greater Lincolnshire LEP is to ensure a fair and transparent method of calculating, allocating and distributing LEP interest accrued.
<b>Author</b>	Operations & Delivery Executive Manager
<b>Version</b>	2.1
<b>Review date</b>	October 2023
<b>Date approved</b>	November 2022
<b>Date of next review</b>	November 2025
<b>Location</b>	LEP internal file storage and <a href="https://www.greaterlincolnshirelep.co.uk/about/corporate-governance/lep-policies/">https://www.greaterlincolnshirelep.co.uk/about/corporate-governance/lep-policies/</a>
<b>Policy lead officer</b>	LEP Chief Executive

<b>Version Control</b>		
<i>Please note this document is valid until formally revoked or replaced</i>		
<b>Version</b>	<b>Date</b>	<b>Changes</b>
2.0	October 2022	<p>Move to new template</p> <p>Interest identification process (section 3) simplified</p> <p>Addition of para 3.2</p> <p>Revision of reserve funds held and addition of Company Provision Reserve - section 4</p> <p>Para 4.1 - Adjustment to use of interest accrued on core funding</p> <p>Section 6 - Review period extended from 1 to 2 years</p>
2.1	October 2023	<p>Changes to reflect the merging of four Cash Balances into one:</p> <p>Para 1.2 - addition to describe the internally identified breakdown of the single cash balance</p> <p>Section 4 - revision to reflect the single cash balance</p>

## 1. BACKGROUND

- 1.1. All finances for the Greater Lincolnshire Local Enterprise Partnership (GLLEP) are held and administered by the Accountable Body, Lincolnshire County Council (LCC). These are held in LCC's bank account, identified by unique cost codes and shown as an individual line on the balance sheet.
- 1.2. Whilst LCC holds a single cash balance for the GLLEP, the Accountable Body and GLLEP Officers hold an internal record of how this cash balance breaks down into various individual reserves. These include:
  - 1.2.1. A ringfenced Company Provision to cover costs in the event of company closure;
  - 1.2.2. A Core Reserve to provide operational funding;
  - 1.2.3. An Invest Reserve awaiting programme allocation decisions from Investment board and/or the GLLEP Board;
  - 1.2.4. A Programme Reserve providing funding for identified and approved programme activity.
- 1.3. A number of income streams are available, paid to and through the GLLEP and held in this account:
  - 1.3.1. **Operating fund**  
Core operating funding primarily utilised for staffing and key consultancy input. Also for Company business, GLLEP PR/design functions and expenses.
  - 1.3.2. **Funding pots (GLLEP awarded funds)**  
GLLEP administered funds allocated/loaned under the Growing Places Fund (Invest and Grow in Lincolnshire) which is a loan fund managed by the GLLEP. This is a low interest evergreen loan fund with contractual repayment interest being repaid with the loan.
  - 1.3.3. **Funding pots (GLLEP bid funds)**  
Funds secured by the GLLEP against specific projects/areas. Funding is paid annually to the GLLEP against specific project profiling.
  - 1.3.4. **Asset Transfers**  
Occasionally other organisations will merge or fold with some of the functions and finances transferred into the GLLEP. This occurred with the previous Lincolnshire Enterprise transferring assets to the GLLEP.

#### 1.3.5. **Organisational Transfers**

Continuing organisations brought under the umbrella of the GLLEP to deliver specific functions.

- 1.4. Interest is accrued on all funds held for the GLLEP by LCC as the Accountable Body. LCC earns interest from loaning out its cash on a daily basis, and a low-risk strategy is applied. The rate of return therefore reflects the risk taken. Cash balances earn an average yield following strict guidelines as dictated by the CIPFA Code of Practice on Treasury Management. LCC does not tie the money down in investments for long periods of time giving easier access. All GLLEP funds are given by national government to Local Authorities, so that a public authority is accountable for the funds.
- 1.5. Any deposits held within LCC's cash balance, that it holds on a daily basis, on behalf of another body or party, is allocated interest at this daily average yield rate, compounded quarterly over the year.

## 2. **PURPOSE**

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

## 3. **IDENTIFICATION PROCESS**

- 3.1. Identification of the interest available requires four steps:
  1. Clear identification of interest accrued and actual figures involved - the Accountable Body will provide the GLLEP with annual projections and a quarterly report of actual interest accrued.
  2. Agreement between the GLLEP and Accountable Body on the apportionment and allocation of interest.
  3. Interest remaining to the GLLEP. Authority for the use of available interest is delegated to the GLLEP Chair, Chair of the Finance and Audit Committee and the GLLEP Chief Executive. The decision will be based upon the business case and placed into funds in line with this Financial Interest Policy and the Reserves Policy, pending any additional usage identified. This will be recommended to the GLLEP Board by the Finance and Audit Committee as part of the regular financial reporting.

4. 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 GLLEP Board.
- 3.2. The calculation of interest will form part of the scope of the external audit and will be reported to the Finance and Audit committee.
4. **DEPLOYMENT OF INTEREST ACCRUED**
  - 4.1. **Interest generated on the cash balance will remain within the cash balance, and internally identified within the Invest Reserve, awaiting future decision as to allocation by the Investment Board and/or GLLEP Board.**
5. **ACCOUNTING FOR INTEREST**
  - 5.1. 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.
6. **REVIEW OF POLICY**
  - 6.1. This Policy will be reviewed every 2 years by the Finance and Audit Committee and any recommended changes approved by the GLLEP Board of Directors. The policy should be reviewed sooner by the Finance and Audit Committee if warranted by internal or external events or changes.
  - 6.2. The Finance and Audit Committee will debate and recommend a Financial 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 every 2 years.