



GREATER LINCOLNSHIRE LEP

Financial Reserves Policy

Name of Document	Financial Reserves Policy
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.
Author	Operations & Delivery Executive Manager
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Policy lead officer	LEP Chief Executive

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<i>Please note this document is valid until formally revoked or replaced</i>		
Version	Date	Changes
2.0	October 2022	<p>Move to new template</p> <p>Para 3.2 - addition of periodic review to identify re-purposing</p> <p>Para 4.1 Step 2 - adjustment to authority for use of reserves</p> <p>Section 5 - updated to reflect current reserves allocations</p> <p>Section 7 - review period extended from 1 to 2 years</p>

1. BACKGROUND

- 1.1. There are a number of reasons the Greater Lincolnshire Local Enterprise Partnership (GLLEP) holds reserves, and these depend on the future activity undertaken by the GLLEP, how it operates and funds its operations:
 - 1.1.1. To fund unexpected expenditure - such as retrospective VAT or unexpected legal costs;
 - 1.1.2. To fund shortcomings in income, when income does not reach our expected levels - such as Government reduce core funding in future years;
 - 1.1.3. To fund GLLEP Schemes such as grant funds and programmes;
 - 1.1.4. To retain in the event of costs required for winding up the company.
- 1.2. 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.
- 1.3. All GLLEP finances are held and administered by the Accountable Body (Lincolnshire County Council).

2. PURPOSE

- 2.1. The purpose of the Reserves Policy for the GLLEP is to ensure the stability of the ongoing operation of the GLLEP and to provide a source of funds for projects. The Reserves 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. SOURCES OF FINANCIAL RESERVES

3.1. Core fund

Core operating funding has not always been fully spent on an annual basis building up a general reserve. Recommendations are made to Board regarding any increase in core funding.

3.2. Funding pots (GLLEP awarded funds)

GLLEP administered funds where not all funds are allocated/loaned and an under-spend/reserve remains. This includes the Investment Reserve (Invest and Grow in Lincolnshire) which is a loan fund managed by the GLLEP. This is an evergreen loan fund with interest paid on low interest loans with interest funding being available for any identified GLLEP activity. A periodic review of funding pots to identify re-purposing on proposed activity to ensure flexibility of resources.

3.3. Funding pots (LEP bid funds)

Funds secured by the GLLEP 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 GLLEP usage.

3.4. Interest accrued

See GLLEP Financial Interest Policy.

3.5. 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 initially to Lincolnshire County Council and subsequently to the GLLEP.

3.6. Organisational Transfers

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

4. IDENTIFICATION PROCESS

4.1. Identification of the use of reserves requires three steps:

1. Identification of appropriate use of reserves - The GLLEP Chief Executive 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 completed with reference to the approved Scheme of Delegation and in line with the Delivery Plan. Any significant change would be reported to the Board. All decisions 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.

5. RESERVE FUNDS

5.1. Core Reserve

The Finance and Audit Committee will review the core operating budget a minimum of annually, to align with the proposed annual delivery plan, agreed core funding from government and the two-year forward plan. Recommendations will be provided to the GLLEP Board.

The Core 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 amount of operating reserve will be calculated each year after approval of the annual budget and reported to the Finance and Audit Committee and Board in the regular reports.

5.2. Company Provision Reserve

The Company Provision Reserve is intended only for use in the case of Company closure. This is reviewed annually by F&A with recommendations to Main Board to ensure the Reserve is of sufficient size to cover all closure costs and associated VAT.

5.3. Investment Reserve

The Investment Reserve is intended to provide funds to meet the targets of the GLLEP and the Local Industrial Strategy such as grant or programme funds, loans, or feasibility funds to unlock strategic schemes across Greater Lincolnshire. Board Directors and GLLEP 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.

5.4. Programme Reserve

Programme reserves are created following decisions made from the Investment Reserve (see para 5.3). For example, the Clean Growth Accelerator Fund and Labour Market Support Fund.

6. ACCOUNTING FOR RESERVES

- 6.1. 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.

7. REVIEW OF POLICY

- 7.1. 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.
- 7.2. The Finance and Audit Committee will 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 every 2 years.