



## **Lancashire Enterprise Partnership Limited**

**Private and Confidential: No**

**Date:** Monday, 11 February 2019

### **Lancashire Enterprise Partnership Operational Budget 2018/19 - Update Report**

Appendix 'A' refers

Growing Places Fund Appendix 'B' (Exempt) refers

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#### **Executive Summary**

This report presents to the Lancashire Enterprise Partnership Board an update on its Operational Budget for 2018/19 which is attached at Appendix 'A'.

The report also presents an update on the Lancashire Enterprise Partnership's Growing Places Investment Fund which is attached at Appendix 'B' (Exempt).

In addition, the report provides an overview of progress made towards establishing an Urban Development Fund for Lancashire including an update on the proposed options to manage the delivery of the Urban Development Fund and the Board's approval to use up to £750,000 to support fund management costs.

#### **Recommendation**

The Lancashire Enterprise Partnership Board is asked to:

- (i) Consider and approve the Lancashire Enterprise Partnership's Operational Budget position for 2018/19;
- (ii) Note the balance statement for the Lancashire Enterprise Partnership's Growing Places Investment Fund; and
- (iii) Approve the use of a full service fund manager to develop and deliver a Urban Development Fund for Lancashire.

#### **Background and Advice**

This report presents an update on the delivery of the Lancashire Enterprise Partnership's Operational Budget for 2018/19. It also provides a balance statement for the Lancashire Enterprise Partnership's Growing Places Investment Fund.



### *Operational Budget 2018/19 Update*

At its meeting in November 2018, a revised 2018/19 Operational Budget was approved by the Board. Subsequently a small number of additional items of activity and related expenditure have been included as well as some areas of expenditure having been reduced. The updated Operational Budget for 2018/19 is attached at Appendix 'A'.

#### *Income*

All budgeted income from the Ministry for Housing, Communities Local Government and Lancashire County Council has been received in full.

The Transitional funding from Government has also been received and is to be fully spent by March 2019.

Growing Places Investment Fund interest is discussed later on in this report.

Key areas of reduced expenditure are:

- The Strategic Economic Plan has been superseded by the Local Industrial Strategy and therefore the budget line for this activity has been amended to include the consultation and further evidence gathering previously contained within the Business Growth and Innovation activity budget. The overall budget for activity in this area has decreased by £10,000 though this activity will be included in the Lancashire Enterprise Partnership's Business Plan for 2019/2020. The Business Plan for 2019/20 will include a detailed operational budget.
- The budget identified for Preston Railway Commercial Masterplan Development has been proposed to be funded by alternative sources other than the Lancashire Enterprise Partnership, which is a saving of £150,000
- The budget for Investment Coordination has been removed from the current budget as there will be no spending on this budget line. The activity will be reviewed and included within the Business Plan for 2019/20. This is a £40,000 reduction in the budget.
- The Investing in Growth and Key Sector Support has been reduced to reflect work done on the Inward Investment website. Further work relating to Inward Investment activity will be undertaken but this will be included in the Business Plan for 2019/20. This is a saving of £35,000
- This represents a decrease in overall expenditure of £235,000

Key areas of additional expenditure are:

- Additional resource of £75,000 has been included to ensure short term capacity is available to support the Core Team in delivering its activities
- The budget for Business Case appraisals for Growth Deal projects has increased by £80,000 due to Transport for Lancashire assurance costs being



included in the budget. These costs are for two elements of the Pennine Gateways Scheme; Furthergate and North Blackburn Growth Deal.

- The budget for Project Eric has increased to £400,000. This figure includes an additional £250,000 as part of a £1,000,000 funding requirement for the next phase of work on the project. The additional funding request is the subject of another report elsewhere on this agenda.
- The External Support for Enterprise Zone Masterplan delivery and legal support has increased by £150,000 to cover additional fees to ensure that the Advanced Manufacturing and Research Centre for the North West is delivered in the relevant timescales
- £200,000 has been received from Government to assist with the implementation of the recommendations in the LEP Review.
- These additional items of expenditure represent an increase to the overall budget of £755,000.

#### Update on Expenditure:

- It was reported at the November board that staffing costs will be allocated at the end of the financial year but there will be an under-spend in the budget due to the additional posts commencing on the 1<sup>st</sup> September and not on the 1<sup>st</sup> April. This position has not changed and will be included in the 2019/2020 budget as part of the Business Plan.
- The development of Lancashire's Local Industrial Strategy is currently underway and it is expected that public engagement will commence in Quarter 4 and will last through to summer 2019. As a result the budget some budget will carry over to the next financial year with additional budget identified also.
- Preston Railway Study has been commissioned and is due for completion before the end of Quarter 4.
- The City of Culture activity is on-going and therefore the budget is to be retained to support future activity though the Board will be updated on this area of activity..
- Growing Places Investment Fund Evaluation will now take place in Quarter 4.
- M65 Growth Corridor Study is intended to be spent this financial year in support of the development of the evidence base for the Local Industrial Strategy.
- External support for the EZ Masterplan delivery and legal support will be spent by the end of the year, with activity having been commissioned in the form of dedicated project management and the commission of external lawyers to produce the agreement for lease between the county council ( in line with the land agreement between the county council and BAE Systems' Pension Fund) and the University of Sheffield (on behalf of the Advanced Manufacturing Research Centre)
- The budget with regards to marketing and communication will be revised in the next financial year and it is proposed to enter into a Service Level Agreement with Marketing Lancashire for some of this activity.



The last budget presented to the Board in November 2018 had an overall forecast expenditure of £1,771,307 for the year. This has now increased, for the reasons given above by £520,000 to £2,291,308.

### *Transition Funding*

The Government has invited Local Enterprise Partnership's to bid for a maximum £200,000 of Transition Funding to support them in implementing the recommendations identified within the national review, 'Strengthening Local Enterprise Partnerships'. The funding is to be spent by March 2019.

The Lancashire Enterprise Partnership submitted its bid for a maximum of £200,000 Transition Funding and the funding has now been received. The budget for this funding is included in the figures presented.

### *Growing Places Investment Fund*

There are currently four live schemes which have drawn funds to the value of £4,642,423. There is a further £4,621,888 available to draw under the terms of the loans which includes up to £750,000 that has been made available to support the delivery of a Lancashire Urban Development Fund.

There is outstanding capital on one scheme totalling £1,214,311 and another scheme has Heads of Terms agreed by the Board with work underway to finalise loan and security documentation, including legal and financial due diligence, which will be presented to the Board for final approval.

It is anticipated that one scheme will be repaid by the end of the financial year with a further scheme in the pipeline. There are two schemes in the pipeline totalling, £2,000,000

This leaves £ 4,638,381 available to invest.

The interest received from invested funds to date net of costs to support LEP core staff is £147,098 and there is interest due on the outstanding loans of £1,673,968. It is anticipated that we will receive £500,000 in interest on one loan which was the subject of an Executive Committee decision.

Details of the loans are attached at Appendix 'B' (Exempt)

### *Update on the Urban Development Fund application to the Ministry of Housing, Communities and Local Government.*

At the meeting of the Board on 26 June 2018 the Lancashire Enterprise Partnership approved the use of up to £750,000 of Growing Places funding to support the development of a Lancashire Urban Development Fund.



It was anticipated that these funds would be recovered using the interest from the repaid loans. The Ministry of Housing, Communities and Local Government were aware of this proposal and it was assumed that they were content with it. However it has since transpired that they would be unhappy with such arrangement as the Lancashire Enterprise Partnership would effectively be lending the money to the fund and they do not consider that this would be eligible expenditure. One potential solution, identified by Blue Sky, could be to set up the Lancashire Enterprise Partnership as a limited partner alongside the County Council in the structure when establishing the UDF. However this requires further understanding, advice, and agreement with the County Council. Discussions are ongoing as to the detailed operation of the fund and this issue will be raised for due consideration.

At the Board meeting, consultants Blue Sky, presented options to deliver the Urban Development Fund either through appointing a Full Service Fund Manager (Option 1) or using an in house fund management team supported by external professional support (Option 2). Option 2 was approved by the Board.

At Lancashire County Council's Cabinet meeting on 3 December 2018, Cabinet approved the making of applications to be an Entrusted Entity for an Urban Development Fund on the condition that Option 1, a full service fund manager, was used and that final approval will be presented to Cabinet on 7<sup>th</sup> March. The reason for the approval of Option 1 was because legal opinion sought on the risks around the scheme highlighted that the risks could be reduced using Option 1. Another condition of the approval was that all costs would be recovered from the Lancashire Enterprise Partnership.

In order to bring approvals in line and to proceed with the applications the Lancashire Enterprise Partnership is asked to approve Option 1 and the use of up to £750,000 to support the delivery of this option for the fund manager, circa £500,000 and legal fees for Lancashire County Council

As county council offers prepare the necessary reports for the county council's Cabinet on the 7<sup>th</sup> March it may be necessary to update the Board on these matters.

### **Financial Implications**

The financial implications of the Urban Development Fund cannot be given with any certainty at this time as there is still due diligence to do on behalf of the Accountable Body in relation to the Entrusted entity role and the delivery vehicle to be adopted. Work is currently underway by officer in relation to this and will be reported to future meetings and the financial implications can then be determined.



## List of Background Papers

| Paper | Date | Contact/Tel |
|-------|------|-------------|
| None  |      |             |

Reason for inclusion in Part II, if appropriate

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.