



## Lancashire Enterprise Partnership Limited

**Private and Confidential: NO**

**Date:** Tuesday, 8 December 2020

### **LEP Board Financial Update - October 2020**

(Appendix 'A' refers)

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#### **Executive Summary**

This report presents the Lancashire Enterprise Partnership Board with an update on LEP finances since the last Board meeting and an update on financial forecast to March 2021.

#### **Recommendation**

The Lancashire Enterprise Partnership Board is asked to note :

- (i) The position on income and expenditure of the LEPs Operating Budget to October 2020 and changes to the forecast to year end March 2021.
- (ii) The end of year forecast of an in year deficit of £1,560,725 based on the use of retained reserves to fund the delivery of this years agreed budget plus the changes notified in this report.
- (iii) The estimated position at year end of available reserves of £912,284; and
- (iv) The Section 151 officer commentary on the operating budget position and its implications medium term financial strategy.

#### **Background and Advice**

The Board are requested to note the main changes in this account since September 2020, and the operating budget attached at Appendix 'A'.

##### **1.0 Income**

Actual Income has changed by:

- A reduction in growing places interest to £171,091 following the cancellation of an invoice previously raised as agreed at previous board meetings.



- A new income source of interest earned on LEP controlled funds held by the Accountable Body. This is £56,915 to October and will accumulate on a daily basis on funds held after payments to grant recipients are made.

## **2.0 Expenditure**

### **Salaries**

- Monthly salaries are in line with the approved budget for the existing LEP staff, there are new posts being recruited and in planning whose salaries are not yet forecast in these figures.

### **Core Running Costs**

- Rental invoices of £2,838 have been paid since September.
- A new forecast has been added for annual charges for treasury management charges and provision of banking facilities of £15,200. This relates to the income attributed from LEP controlled funds above and is based on the provision of similar services to other organisations.
- A further forecast will be added in coming months for the cost of accountable body support, the figure of which is yet to be agreed.

### **Project Support**

- Payments of £17,441 have been paid to external assurers to allow growth deal funds to be granted to projects.
- The provision for support to Eden project has been removed as they have secured Growth Deal funding in its place.
- Provision is covered for the amounts in the Strategic Framework Development report of £290,000; £220,000 in Strategic Framework Delivery line and £70,000 in the LIS production line
- General Project Funding provision remains forecast at £510,000 with no expenditure to date.

### **Marketing & communications activity**

- Expenditure of £4,500 in the period on support for tourism, culture and Place sector group, and towards the Insider event on Enterprise Zones held in October 2020.

### **Fees and charges**

- Payments in the period of £33,914 for the services of senior consultancy support. The forecast is for this to end at December 2020.

### **LEP restructuring**

- Payments made of £23,555 consisting of £3,575 for consultancy services for the aerospace sector and £19,980 for GVA and employment data projections.



- Forecasts are as budget apart from the inclusion of a provision for the one agreed indemnity for staff redundancy liabilities. These will need to increase as the number of permanent staff increases and the forecasts will be adjusted accordingly going forward.

### 3.0 Forecasts

The forecast for the year has changed from a forecast net expenditure of £1,686,666 as at September to £1,560,725 as at October.

The forecast reserve position as at March 2021 will be reserves of £912,284.

These forecasts continue to include the provision of £510,000 for general project funding but the provision for commitment to Eden of the north has been removed. If this remaining provision was removed the remaining reserves would £1,422,284.

### 4.0 Section 151 Commentary

The LEP started the year with healthy reserves which are being used to support its current activity. Basic operating costs currently make up in excess of 90% of the forecast annual income despite significant increases this year and excluding the additional costs yet to be added as set out in the strategic framework report. This significantly constrains future investment decisions the LEP may wish to make to promote local opportunities or in response to HMG initiatives. Directors will need to prioritise their spending choices to ensure they retain a sustainable operating model to deliver their strategic ambitions.

Income levels are vulnerable to future Government spending decisions, also Growth Deal funds are due to be expended by 31<sup>st</sup> March 2021 and the Getting Building Better fund by mid-2022. It is expected that alternative funds though may be available, not least of which will be opportunities arising from the £4bn levelling up fund announced in last week's Spending Review should these flow through the LEPs for allocation.

As the LEP enters its next phase as captured in the emerging strategic framework, including the development of the medium term financial strategy, and the conclusions of the governance review, the Board will want to ensure it maintains a suitable pathway to delivering its objectives.

### List of Background Papers

Paper	Date	Contact/Tel
None		



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Reason for inclusion in Part II, if appropriate

N/A