

Report to the Company Member Cabinet Committee
Meeting to be held on Thursday, 21 December 2023

Report of the Director of Growth and Regeneration

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Supporting economic growth;

Lancashire Enterprise Partnership Update

(Appendix 'A' refers)

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Brief Summary

This report provides a further update to the Company Members Cabinet Committee on the final year of operation of the Lancashire Enterprise Partnership. As reported previously the LEP was wound-up as an independent company in July 2023 with financial decision-making resting with LCC's Director of Resources as the representative of LEPs accountable body.

A set of processes are now in place to close the LEP on the 31st March 2024 – the point at which its core funding from government ceases. Until that point, the board structure needs to remain in place as a condition of DLUHC funding.

Integration arrangements are aligned with the interim structures which are now emerging to guide Lancashire towards a Combined County Authority. Essentially the core functions and legacy resources of the LEP will be available via LCC and deployed in consultation with the other two upper tier authorities.

This report details the latest financial position of the LEP, presenting in-year budgets and actuals for 2023-24. The main changes to the financial position stem from significant changes to forecast LEP income where upper tier authority match contributions have either not been paid or have been withdrawn.

The net effect of this change is that the forecast reserve left at the end of 23/24 will fall from £1.5m to £876k. There may be further underspends on specific workstreams but these are being managed closely and overall will remain well within the overall financial envelope set to deliver the business plan activity in 2023/4.



In addition to its revenue resources the LEP, the Growing Places capital fund will also default to the Director of Resources at LCC.

Since starting in 2013, the GPF has already invested over £40m in developments of all types and sizes across the county, which in turn has generated £100m of private investment and supported over two thousand new jobs.

Currently there are three live schemes with three in development amounting to a value of £9.5m and a healthy pipeline of enquiries. The fund is presently worth £19.4m.

Recommendation

The Company Member Cabinet Committee are asked to endorse the contents of this report, noting that the Lancashire Enterprise Partnership will formally cease on 31st March 2024.

This will be the final report to this committee in relation to the LEP as the company was wound up in July 2023.

Detail

This report presents the position of the Operating budget as at November 2023. It reflects income and expenditure to date along with forecasts of income and expenditure to the end of March 2024.

The resultant position of the LEP reserves as at 31st March 2024 will be £0.876m.

There is currently provision made for £133k of employment liabilities following the cessation of the LEP, an up to date forecast has been requested and any amendments required to this provision will be made in future updates.

Income

Government funding for the core grant of £250k has been received .

Partner income has been removed following non payment of invoices for the contributions in the years 2021/22 2022/23 and for 2023/24. The reversal of these invoices and the LCC contributions for the same period has resulted in a reversal of £500k of prior year income and no income from partners this financial year.

This reversal does not put the government funding at risk as the required match has been provided by interest on held funds and growing places loans in the two prior years and is forecast to be sufficient this year as well.

Expenditure

Staffing



Costs for employees remain on budget for the year, various roles including the skills hub and honorarium increments for LCC staff covering vacant LEP posts will be made at year end.

Employment liabilities previously provided to the value of £133k remain on the balance sheet, whilst this is estimated to be sufficient for the staff remaining at 31st March 2024 an up to date forecast of employment and pension strain liabilities to 31st March 2024 has been requested and any further provision required will be shown as expense in a later update.

Core Running costs

Given the staffing changes rental of accommodation is no longer required and space is utilised within the Business Growth desk spaces at County Hall where necessary. Therefore the £5k rent budget will not be required.

Expenditure for directors indemnity insurance (23.8k), subscriptions (3.5k) and training course fees (5.25k) have led to the running costs budget of £23.2k being over spent, with some further costs expected a year end a forecast of £45.7k is expected which will mean that the budget is £22.5k over spent for the year. This is primarily the directors insurance costs which were not in the budget.

Strategic Framework delivery

Budgets were provided for Sector Support (240k) Data observatory costs (200k) and internationalisation (150k), whilst cost to date have only been £29.9k the CEO confirms full budgets are expected to be spent by year end and have therefore been left in the forecast. Any under spend on these will add to the reserves at March 2024,

Project Support

Budgets were provided for General Project Funding (25k) careers and enterprise match (25k) and NCF Ecosystem development (425k). To date expenditure has been £48k on NCF Ecosystem work and £14k on commissioning a monitoring surveyor for a growing places loan. All budgets are expected to have further spend on by year end and have been forecast to be fully committed, with the monitoring surveyor costs creating an overspend of £14k for the year.

Marketing & communication activity

Spend to date of £61k has been on a combination of monthly support costs from Viva PR / Bond consulting and one off pieces of marketing activity including a stand at UKReiif, a place proposition film, Cop 28 activity and other exhibition costs. With reduced expenditure other than the monthly support expected through the remainder of the year a forecast of £70k has been made 10k over budget.

Annual Conferences and publications

This is expected to be on budget for the year at 10k.



Fees and charges

These are expected to be on budget for the year at 63k.

LEP restructuring budget.

Provision in the budget was made for £109k of expenditure to support the development of the Combined Authority for Lancashire and to support a devolution deal with government.

Whilst minimal spend has been made to date (£3.5k on an economic inactivity report) the remainder of costs relating to Devolution are being met by the Upper Tier Authorities rather than the LEP and the forecast had therefore been removed.

Reserves position at 31st March 2024

Taking into account the income and expenditure as noted above the reserves position as at 31st March 2024 is now expected to be £876k as opposed to the budgeted figure of £1.5m. There are no contingent liabilities that will need provision to be made for in terms of contracts that extend beyond March 2024.

Appendices

Appendix 'A' is attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	LEP Operating Budget - Budget and Actuals to Nov 2023

Consultations

This report has been shared with Finance and Legal Services colleagues.

Implications:

This item has the following implications, as indicated:

The LEP budget has provided significant revenue resource to advance key projects in Lancashire. As this resource passes back to Lancashire County Council or potentially a shadow County Combined Authority (CCA), there will be a need to re-confirm priorities and maintain momentum on key projects and programmes.

Risk management

The revenue and Local Growth Fund spend of the LEP in 2023/24 financial year is being closely managed and will be subject to integration process with the county council as the LEPs accountable body and potentially on to a shadow CCA operating as a Devolution Delivery Board. Some uncertainty remains as to how funds and LEP resources including staff and budgets will be deployed and prioritised in this new environment.



List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

