

Lancashire Enterprise Partnership Limited

Private and Confidential: No

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LEP - Programmes Finance Update Report

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Executive Summary

This report provides the Lancashire Enterprise Partnership (LEP) Board with high level finance updates for each of the LEP programmes. To note the LEP Board also receives Programme Update Reports at regular intervals on the performance of the LEP Programmes in terms of outputs and impact.

Recommendation

The Lancashire Enterprise Partnership (LEP) is asked to:

1. Note the updates contained in this report
2. Provide feedback in terms of changes / additional content for future reports.

1.0 Background and Advice

The purpose of this report is to provide Members of the Board with a single high-level programme finance report, including an update on each of the LEP programmes, with the aim to:

- Provide regular and consistent updates across all programmes, which can be used when Members are promoting / engaging / conducting LEP business.
- Allow members to make individual programme decisions in the context of the complete portfolio of Programmes.
- Assurance of the financial performance of individual programmes for which the LEP is accountable to government for.
- Identify any risks and agree remedial actions.

2.0 Programme Reports



2.1 Boost

The Boost Programme provides the Lancashire Business Growth Hub and is currently in its third programme. BEIS provide an annual grant of £328k (£536k in 2020/21) which is used for support activities and is claimed quarterly in advance from BEIS. Claims are submitted with evidence of previous quarters spend.

Overall c£4.2m business support (including none ERDF) is currently funded 57% by LCC (£2.4m) and 43% ERDF/Government (£2m core Boost funding is 60%ERDF (£1.2m) 40% match (£800k LCC/BEIS grant to LEP). Boost operates pan-Lancashire.

The *Boost* Business Growth Hub, and other partners, were awarded BEIS funding to undertake more strategic activity based around Covid resilience and the impact of Brexit. *Boost* further secured and distributed an additional £1.1m of *Covid Business Adaptation* grants which helped support over 300 businesses through *#BoostYourRecovery* and *Kickstart Tourism Lancashire* grants. *Boost* also successfully bid for Covid-response funding from BEIS £432k to develop and deliver a series of peer-to-peer business groups.

Financial risks include claims not being paid in full to ineligible expenditure or incorrect supporting evidence; this risk is carried by LCC as the delivering partner and accountable body. This is mitigated by use of experienced staff in the management and delivery of the programme and the auditing and submission of the quarterly claims. No claims to date have been rejected.

A further risk to the programme would be a lack of engagement by the business community, this would result in not meeting targets and could have implications for future year's Growth Hub support grants. However, the BOOST Growth Hub is performing well in this regard.

The Board are requested to note that approval to receive the 2021 grant award will also be requested at the June 21 LEP Board.

2.3 Growth Deal

The Lancashire Growth Deal was originally awarded in July 2014 with £233.900m, this followed by a further award of £17.200m in January 2015 and finally a Growth Deal 3 award totalling £69.760m which was made in February 2017 taking the total Lancashire Growth Deal to £320.860m.

The breakdown of these awards is as follows:-

- | | |
|---|--------------------------------------|
| • Local Growth fund project allocations | £ 204.169m |
| • Heysham Link DfT Tail funding (monitored under original DfT scheme) | £ 40.931m |
| • Standen housing Loan fund | £ 6.000m (HCA facility not taken up) |
| Growth Deal 3 | <u>£ 69.760m*</u> |



£ 320.860m

The £273.929m* Local Growth Fund Monies are paid to Lancashire County Council (LCC) as the Accountable Body for the Lancashire Enterprise Partnership (LEP).

Spend to 31st March 2021

The total payments relating to the first five full years that have been paid to date are in the table below.

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	£m	£m	£m	£m	£m	£m	£m
Payments made to GD Projects	30.510	25.622	32.232	31.399	39.247	97.573	256.583
Temporary payments to other schemes	8.840	27.781	12.487	3.457	17.377	-52.595	17.347
Total Payments in year	39.350	53.403	44.719	34.856	56.624	44.978	273.930
Total cumulative payments to GD projects	30.510	56.132	88.364	119.763	159.010	256.583	
Percentage of the £273.929m LGF actually paid to projects	11.14%	20.5%	32.26%	43.72%	58.05%	93.67%	

By March 2021, the initial completion date for the 6 year programme, £256.583m of funds are now paid out to projects based on the agreed intervention rate and defrayed spend. A further £17.347m (6.33%) has been paid to other capital projects on a temporary basis whilst slippage on approved projects has occurred. This means that by the initial target completion date, and in midst of the Covid 19 pandemic all of the £273.930m has been incurred on capital projects through the Lancashire region.

The remaining £17.347m is due to be paid to projects in 21-22 as a consequence of delays to expenditure on these projects. This is in relation to 6 of the total 52 individual projects.



2.4 Getting Building Fund

The funds awarded of £34.1m are formalised with S31 grant offer letters to 10 projects. The projects will commence draw down of funds following completion of contract and subsidy control matters, from May 21.

Whilst the first £17.5m of funding has been received from government, the remaining tranche has yet to be received, though it is expected in late May 2021.

There is a risk that if the second tranche is not received, commitments to projects will not be able to be met, but this is not anticipated to be the case, but Government have issued a Grant Funding Award to the LEP for this amount.

Where the flow of funds is ahead of project expenditure requirements, we have been requested by MHCLG to use accountable body flexibilities as we do with Growth Deal to ensure the money is expended in year. LCC as Accountable Body has agreed to these arrangements. Payments are forecast to complete on time for all projects by March 2022.

2.5 Growing Places

Growing Places is a fund of £19.379m originally provided in 2012 to provide loan capital, the repayment of which provides a fund to be recycled. To date loans of £34.055m have been agreed with £27.888m having been repaid.

Interest is payable on the loans advanced and is calculated on a daily basis as agreed in each advance agreement, with a premium calculated if the loan goes into default. The interest earned on these loans (£1.983m to date) is for the LEP to commit. Currently it is used as part of the reserves supporting the operating budget and reported in the balance sheet as a reserve available. This is the only additional income the LEP receives above grant funds awarded.

Risks to the programme are the default on loans – which would reduce the funds available for future advances. This risk is mitigated to a large extent by security charges agreed against the loans. Also, the non-payment of interest would reduce the amount of cash available to support LEP activity. This risk is mitigated by the prudent forecasting in the operating budget of interest received so that resources are not committed before interest is received.

The Board are also asked to note that for some loans, the Board has extended payment terms and suspended interest payments to support businesses impacted by the restrictions of Covid.

There is presently £9.7m funds available for loans and 3 schemes in the pipeline. The Board are asked to note that a further scheme will be presented for approval at the June 21 LEP Board, and further extension of payment terms to an existing scheme.



2.6 Enterprise Zones X 4

The Enterprise Zones are designated by Government, by into two categories in respect of who has control and determination of business rates:

Samlesbury & Warton - the Business rates retained locally, are by legislation to flow to the LEP for investment in economic priorities within the LEP area. There are legal agreements in place with the rates collecting authorities for income above the baseline and retained locally, to be paid over to LCC as the accountable body for the LEP.

A LEP board resolution (September 2014) approved the business rates would first be applied to an estimated £18.5m infrastructure costs provided on the sites, funded by LCC through PWLB borrowing plus the relevant interest charged once expenditure defrayed. As such LCC carries the highest risk in respect of repayment of debt.

Current forecasts are for income of £20.773m are forecast to be generated from the units with planning permission on the site to the end of the life of the EZ in 2037. Any new occupiers will increase the levels of income via business rates, and therefore levels of capital debt and interest to be repaid over time, but this cannot be forecast at this time.

The key risk to the LEP of reduced or delayed occupier-led development is that interest accrued for this period, is charged to the LEP. This may negatively impact on future potential income to the LEP, to invest into further economic priorities.

In the first phase of infrastructure development, the County Council constructed a public highway through the EZ site with single access points on the A59 and A677, often referred to as the spine road. Phase 1 also included ecology works on and off site, site segregation from BAE core operations site and Phase 1 surface water drainage and lighting, required for the road itself. The County Council also made a contribution of £1m towards revenue costs, which could not be met by capital debt. Total costs of Phase 1 were £10.27m – all expenditure is now incurred and PWLB drawdown for £10.27m has been made.

The County Council's PWLB borrowing, both capital £10.27m and interest £1.037m to-date) will be repaid using income received from business rates growth on the EZ, initially from the first two new facilities on site.

Phase 2 Infrastructure is currently active and/or in process of final design and/or future implementation. It includes:

- LCC Plot Preparation for AMRC
- Utilities and new road Site wide utility provision
- Research and Development plot preparation to create serviced development plots.
- Phase 2 surface water drainage. (This will complete the primary drainage infrastructure)
- Initial Zone C (partial earthworks to facilitate drainage and broader works)
- Detailed design and delivery of Foul Water Drainage system
- Electricity North West investment in primary sub-station



The total cost estimate for this phase of works is £10.8m. Together with Phase 1, the total costs of committed infrastructure works is therefore £21.07m. This is broadly in line with the *estimated* costs of £18.5m and now confirmed as *actual* costs, impacted by inflation and any uncertainty of cost at the time. These costs will be met by the following:

- Growth Deal £6.725m
- LEP (business rates) £14.345m capital debt not including Interest

There are two further occupiers due to contribute shortly to business rates - which brings estimated annual business rates collection to approximately £640k. Future plots when occupied, could generate a further £42.506m based on the likely occupiers and potential uses over the life of the EZ, however these returns will only be generated on occupation of each plot.

Blackpool Airport & Hill House – as part of the second wave of Enterprise Zones the business rates are retained locally. Blackpool Council, as the accountable body for these sites are forecasting that all rates retained will be needed to provide the infrastructure to develop the sites.

2.7 Skills & Employment Hub

The LEP currently pays for 50% of the Skills Hub core staff. The core staff drive and support the work of the Lancashire Skills and Employment Advisory Panel, and lead the projects in the Skills Hub, with activity being funded by grant income with match coming from a range of sources. The City Deal Skills and Employment Coordinator is fully funded by LCC and supports the embedding of social value across both the Growth Deal and City Deal programmes.

Lancashire Careers Hub and Enterprise Adviser Network

The Careers Hub and Enterprise Adviser Network (EAN) are co-funded by the Careers and Enterprise Company (CEC) with match from local partners, including LCC, the LEP, and the unitary authorities. LCC contract with the Skill's Hubs delivery partner, Inspira, who employs the team of 11 staff working across the Lancashire area.

Termly contract reviews are undertaken with Inspira to review financial performance and progress against targets, with claims submitted on a termly basis to the Careers and Enterprise Company for staff salaries and associated costs. This is claimed in arrears based on evidenced spend, with expenditure cash flowed by LCC.

This academic year (September 2020 – August 2021) there have also been a number of other pots of funds aligned with the Careers Hub:

Transition Fund - £20k grant awarded by the CEC to support the transition of last year's Year 11 and 13. Funds were directed towards the expansion of the 'Start in Blackpool' platform, to enable roll out to the whole of Lancashire. 'Start in Lancashire'



was launched in January. All funds have been claimed and spent in-line with the proposal.

SEND Community of Practice and Innovation Fund - £1,500 and £3,000 grant respectively from the CEC to support work with SEND schools. Funds were received up-front and are currently being spent on activity and detailed in termly claims to the Careers and Enterprise Company. All funds will be spent by the end of the academic year (end August 2021).

Careers Hub Central Fund and EAN Sustainability Fund - £154,000 and £34,942 grant from CEC to support the work of the Hub and the EAN. Funds were received up-front at the beginning of the academic year. The Central Hub funds have been allocated to clusters of schools and the colleges to support progress against the Gatsby Benchmarks. Activity is underway this term, and funds are expected to be fully spent by the end of the academic year (end August 2021). Any funds that are not spent will have to be returned to CEC – at present this forecast to be nil or minimal. For the Sustainability Funds, there has been minimal spend due to the limitations from the pandemic, for example, holding the annual conference on-line. It has been confirmed by CEC that these funds can be carried forward in August 2021 to the next academic year.

Blackpool Opportunity Area - £34,600 and £30,000 grant for careers activities and twinning activity with employer networks respectively. The funds were received up-front and are expected to be spent on activity as per the agreement by the end of the academic year (end August 2021). Regular progress reports are provided to the Blackpool OA Partnership Board.

The CEC have confirmed funding for next academic year (September 2021 to August 2022) – a separate paper is provided detailing the offer and associated match funds, and other funds, for approval by the board.

Skills and Employment Advisory Panel

The Department for Education (DfE) have confirmed a grant of £75k for this financial year, mirroring the allocation made last year. The Skills and Employment Advisory Panel have recommended the acceptance of the grant, to fund analytical work and the provision of local labour market and the development of the Local Skills Report – which is incorporated into the Lancashire Skills and Employment Strategic Framework. A MoU was submitted to the DfE at the end of May, and the funds will be received as a Section 31 grant in July.

To note, in agreement with DfE, £17,562 was carried forward from the previous year, due to delays in commissioning employer facing research due to the pandemic and stakeholder engagement costs were lower than forecast as a result of events being conducted online. There is a plan in place to spend the full grant and carry forward this financial year.



It is unclear whether further funds will be received from DfE for future years.

Lancashire Digital Skills Partnership

The Department for Digital, Culture, Media and Sport (DCMS) awarded a Section 31 grant to support the work of the LDSP, including the post of Digital Skills Partnership Coordinator. £37,500 was received in January 2021, followed by £37,500 in May 2021. Funds will be spent over the coming financial year.

It is unclear whether further funds will be received from DCMS for future years, which poses a risk to partnership. Sustainability models are being considered with LCC, linked to the development of Fraser House in Lancaster.

List of Background Papers

Paper	Date	Contact/Tel
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Reason for inclusion in Part II, if appropriate

N/A