

Humber LEP: 2016/17 YEAR END FINANCIAL POSITION

Report to the Humber LEP Board, 7th July 2017

Joint Report by Hull City Council (Humber LEP Accountable Body) & the Humber LEP Chief Executive

1. Summary

- 1.1 This report updates the Humber LEP Board on the Funding position of those funds where the Council is the Accountable Body. This covers the financial year to 31st March 2017.
- 1.2 In addition historic information is provided to allow the LEP to meet the requirements under the Assurance Framework. This is attached separately at Appendix 4.

2. Recommendation

- 2.1 That the report is endorsed
- 2.2 That the Board approve allocation of £100k from Reserves to support the further development of our work on Employment and Skills, subject to funding and ongoing liabilities, to be agreed with the Accountable Body.

3. Summary revenue position – Core funding

- 3.1 The summary position for the core budget is:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
Income	(£750,000)	(£739,742)	(£10,258)	1.4%
Expenditure	£750,000	£692,941	£57,059	7.6%
	£0	(£46,801)	£46,801	
balances b/f from earlier years			£314,013	
balances c/f to future years			<u>£360,814</u>	

- 3.2 Details of the spend vs budget for Core costs are attached at appendix 1 alongside an explanation for significant variances.
- 3.3 Section 7 outlines the committed spend against this surplus, including the approved expenditure from Reserves that will be spent during

2017/18. The Board has also agreed to set aside reserves of £150,000 to meet future liabilities. In addition the Chief Executive in consultation with the Chair and the Chair of the Employment and Skills Board makes recommendation to commit further expenditure from Reserves to support the development of the Employment and Skills work. Analysis of funds presently available for discretionary use in 17/18 or subsequent years are also set out.

4. Local Growth Fund

4.1 2016/17 is the second year of Local Growth Fund spending. The position at the end of the year was:

	<u>15/16</u>	<u>16/17</u>	<u>total to date</u>
Total funds available in year			
underspend b/f from previous year	£0	£900,775	
allocation in year	£19,390,377	£39,045,912	£58,436,289
	£19,390,377	£39,946,687	£58,436,289
Actual project spend in year	(£18,489,602)	(£27,194,804)	(£45,684,406)
balance to c/f to future years	£900,775	£12,751,883	£12,751,883
Underspend as a %age of available funds in year	4.65%	31.92%	21.82%

4.2 Full Details of scheme spend is shown at Appendix 2.

4.3 Future years allocations are:

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Confirmation letter	£27,269,412			
Provisional allocation		£12,721,021	£11,050,217	£22,232,046

Revenue Support

4.4 Support for the local growth fund is provided in principal through interest earned on the balances of the capital grant, which is received annually in advance.

4.5 These balances are then used to pay costs of the Accountable Body and due diligence costs in relation to specific projects.

4.6 The level of interest earned depends upon firstly the allocations and secondly the rate of spend during the year. Significant underspend means that 2016/17 should not be regarded as a typical year. With new projects it is expected that this balance will significantly reduce in future years and is expected to be fully utilised.

5. Growing Places Fund

Loans fund

- 5.1 The Humber LEP has received two tranches (in February and March 2012) of Growing Places Funding from central Government, totalling £8,097,724 (capital) and £664,516 (revenue) funding.
- 5.2 These funds are held by Hull City Council as Accountable Body.

Growing Places Loan Balances

- 5.3 In total of the £8,097,724 available, £7,224,437 has been allocated with £5,226,300.68 drawn down and a further £1,429,136.32 in agreed loans yet to be drawn down. Agreed loans of £250,000 have been withdrawn by the applicant and £319,000 was due to be drawn down by Trinity Quays prior to appointment of the property administrator.
- 5.4 The position with the Growing Places Fund at 31st March 2017 is summarised below:

	<u>available</u> <u>funds</u>	<u>loans</u> <u>outstanding</u>	<u>potential</u> <u>further loans</u> <u>(max)</u>	<u>total</u>
Balance b/f	£5,072,798	£3,458,459		£8,531,257
loans made in the year	(£583,847)	£583,847		£0
loans repaid in the year	£998,561	(£998,561)		£0
interest earned	£0	£93,686		£93,686
	£5,487,513	£3,137,430	£0	£8,624,943
potential further loans	(£4,503,547)		£4,503,547	£0
	£983,965	£3,137,430	£4,503,547	£8,624,943
provision for bad debts		(£200,864)		(£200,864)
	£983,965	£2,936,566	£4,503,547	£8,424,079

- 5.5 Potentially at 1st April there was £5,487,513 available for further loans, although of that £4,503,547 could potentially be drawn down from either existing agreed loans or potential loans in some stage of the application process at the year end, leaving a “free” balance of £983,965 should all potential loans come to fruition. The updated position is regularly reported to the LEP Investment Panel. This position is dynamic as new applications are submitted and loans repaid.
- 5.6 Full Details of loan balances is shown at Appendix 3.

Provision for bad debts

- 5.7 The loan to Trinity Quays is presently at risk and has been provided for 100%. Bankruptcy proceedings commenced against Mr Fulstow in the hope of recovering some of the monies owed. An IVA is now in place but we do not expect to receive any monies in the immediate future.
- 5.8 This remains the only loan to be considered at risk since inception of the scheme.

6. Balances carried forward to future years

- 6.1 Unspent funds carried forward to 17/18 are:

Core Funding	£360,814
EZ Skills Fund ¹	£17,788
	£378,592
Growing Places ²	£269,411
Transport Capacity ³	£137,179
Growth Fund ⁴	£147,523
	£932,715
Careers & Enterprise (grant funded)	£39,915
	£972,630

7. Reserves & Commitments

- 7.1 The LEP needs to carry a level of base reserves to reflect any future commitments, including any redundancy costs should funding no longer be available. This has been assessed at £150,000 against core funding.
- 7.2 Total “free” funding is thus £210,814, against which there are the following commitments

EZ Brochure	£1,632
Renewables Brochure	£1,733

¹ Balance of EZ Skills funding, free of any ring-fence so can be used on any programme.

² This balance funds the administration of the Growing Places Loan fund including due diligence costs as required. Once this balance is used either additional funding sources will have to be found or costs will need to be funded from the core budget.

³ Balance of Transport funding, free of any ring-fence so can be used on any programme.

⁴ Comprises interest earned on balances less costs of due diligence and the accountable body in relation to the LGF funds. Interest on future balances is likely to reduce as (a) funds are spent with interest earned in 16/17 being artificially high and (b) interest rates on investments remain very low.

Estuary Map	£1,000
Digital	£18,000
Biz week	£15,000
Energy Cluster Study	£5,000
Humber Energy Campus	£10,000
ARB follow up on skills	£5,000
	£57,365

7.3 This also includes Gold Standard funding (inc £25k from Deflog VQ Trust & £20k from LEP funds) against which £23,200 remains to be spent (this is contractually committed), but the timing of this is uncertain.

7.4 The Board has discussed on several occasions the opportunity to invest additional resources in the LEP Employment and Skills team. The current resource of 2 FTEs is inadequate to lead and deliver the various opportunities that the LEP has secured including several pilot activities that have the ability to influence national policy. During the next two years more work will be required to respond to the challenges of Brexit and narrowing of the labour pool and to support the actions emanating from the Industrial strategy. The recommendation of investment of £50k for a two year period (£100k in total) would enable the employment of an additional member of staff to support on the social inclusion agenda working with client furthest from the labour market leading to an increased future workforce with the focus on young people who are not engaged in education, training or employment

7.5 In total the position is thus:

Total core funding c/f	£360,814
less Reserves required for future liabilities	£150,000
	£210,814
Commitments scheduled above	£57,365
Gold Standard (contracted)	£23,200
Recommendations to support Emp and Skills as set out in para 7.4	£100,000
Potentially available and uncommitted core funding	£30,249

8. Historic Spend

8.1 In order to provide a more comprehensive overview of LEP spend since the commencement of the programmes, appendix 4 contains historic summary spend details against all the major headings of LEP business. This is summarised, with individual transactions reported as part of the Council's regular disclosure of financial information. Since 2011/12 the LEP has had some level of oversight of £6.6m of revenue funding along with the Local Growth Fund and Growing Places Funds covered earlier in this report.

9. Financial and resource implications

- 9.1 The position with the funding is as noted in the report and attached appendices.

Graeme Smith
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Appendices

1. Detailed Core costs compared to budget – 16/17
2. Local Growth Fund position
3. Growing Places Fund position
4. LEP Historic Spend summary information