

Humber LEP Finance Monitoring Report **(April to August 2020)**

Report to the Humber LEP Board 18th Sept 2020

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

1. Summary

- 1.1 This report updates the Board on
- The LEP Core Budget
 - Local Growth Fund
 - Getting Building Fund
 - Growing Places Loans
 - Use of Reserves

2. Recommendation

- 2.1 That the position be noted.

3. Summary revenue position – Core funding

- 3.1 The Council, as Accountable Body for the LEP receives money from central Government to Fund the LEP, presently £500,000 per annum. £250,000 of this is subject to being able to demonstrate a £ for £ level of matched funding coming into the LEP. This is made up of £50,000 from each of the 4 Local Authorities (£200,000) and £50,000 from the private sector, including valuing the time spent on LEP activities outside of the main Board. The 2020/21 Budget approved by the Board in Feb was based on the income of £700,000
- 3.2 In addition there have been reserves built up over previous years totalling £430,900 (core only), of which £150,000 has been held back for future liabilities and £166,059 allocated to specific projects. The latest position on the Reserves is set out in section 7 of this Report.
- 3.3 Details of the spend vs budget for Core costs are attached at appendix 1 alongside an explanation for significant variances. The current projection is that the LEP will break even at the end of the year, the budget is tight and will be carefully monitored.
- 3.4 In summary the position is:

Projected change in reserves	Free reserves	Committed reserves	Future liabilities	Total reserves
Reserves b/f	746,959	166,059	150,000	430,900
Projected use of reserves	-20	-141,598		-141,618
	746,939	24,461	150,000	289,282

4. Other Revenue budgets

4.1 The LEP also has secured additional funds for specific programme development and the funding is ring fenced to those programmes and therefore summary is provided in this report as set out below:

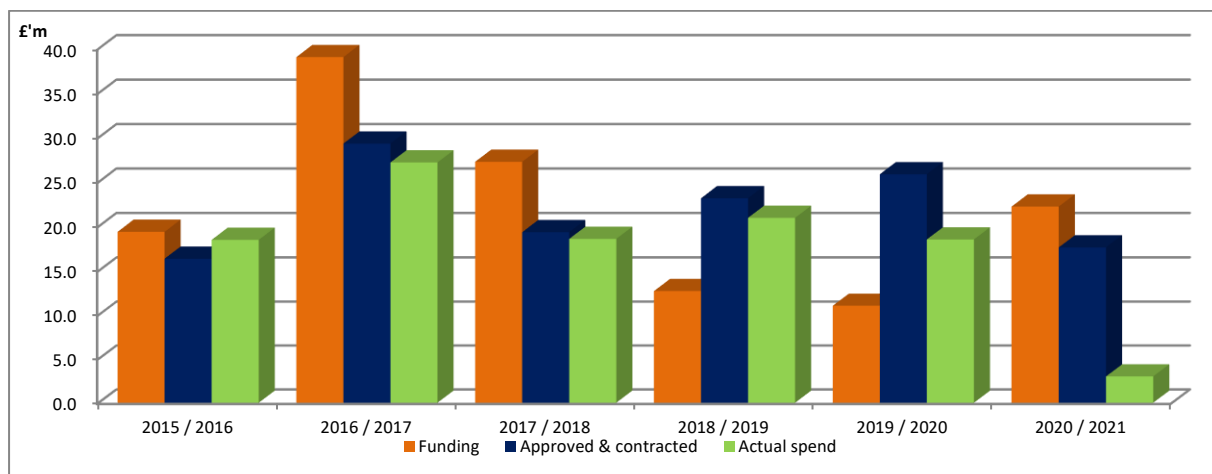
5. Local Growth Fund

5.1 The position at the end of the first quarter was as shown in the table below.

<u>Local Growth Fund</u>	<u>2015 / 2016</u>	<u>2016 / 2017</u>	<u>2017 / 2018</u>	<u>2018 / 2019</u>	<u>2019 / 2020</u>	<u>2020 / 2021</u>	<u>Total</u>
<u>Total Funding</u>							
Confirmed	£19,390,377	£39,045,912	£27,269,412	£12,721,021	£11,050,217	£22,232,046	£131,708,985
							£131,708,985
Total projects approved & contracted to date	£16,369,243	£29,315,284	£19,351,659	£23,167,608	£25,865,137	£17,640,328	£131,709,259
Funds available to allocate							(£274)
Actual spend	£18,489,602	£27,194,801	£18,597,659	£20,963,955	£18,531,095	£2,999,262	£106,776,374
<u>Available resources</u>							
balance b/f	£0	£900,775	£12,751,886	£21,423,639	£13,180,705	£5,699,827	£0
resources in year	£19,390,377	£39,045,912	£27,269,412	£12,721,021	£11,050,217	£22,232,046	£131,708,985
less spend in year	(£18,489,602)	(£27,194,801)	(£18,597,659)	(£20,963,955)	(£18,531,095)	(£2,999,262)	(£106,776,374)
balance c/f	£900,775	£12,751,886	£21,423,639	£13,180,705	£5,699,827	£24,932,611	£24,932,611

Actual spend compared to confirmed allocations

95% 78% 75% 87% 95% 81%



5.2 Individual projects at risk are reported alongside a more comprehensive programme update to each LEP main Board meeting.

5.3 Overall, 81% of the total (6 year) allocation has been spent to date. It is expected that most of the funds will be spent by March 2021. Spend in 2020/21 represents the first quarters claims with the second quarters returns due early in October.

5.4 The current expectation is that this will be spent in full but there are a number of projects at some level of risk which are highlighted to the LEP Board as part of the regular LGF report.

Revenue Support

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

5.6 The level of interest earned depends upon firstly the allocations and secondly the timing and rate of spend during the year. With new projects, and historically low interest rates, it is expected that this balance will significantly reduce in future years and is expected to be fully utilised.

6. Getting Building Fund

- 6.1 The Humber LEP has been awarded £13.4m from the Getting Building Fund which must be spent by 31/3/22.
- 6.2 Whilst the entirety of this has been allocated on an indicative basis, final approval has not – at the time of writing – been given for any projects, although it is expected that the first tranche will be approved at this Board meeting. Future reports will contain information analogous to the LGF section above.
- 6.3 Revenue support will be dealt with in the same way as LGF project support.

7. Growing Places Fund loans

Loans fund

- 7.1 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. These funds are held by Hull City Council as Accountable Body.

Loans fund position

- 7.2 The expected position at the year-end is:

<u>Projected position at y/e</u>	<u>available funds</u>	<u>loans outstanding</u>	<u>potential further loans (max)</u>	
Balance b/f	£4,613,135	£4,236,417		
loans made in the year	(£67,531)	£67,531	£2,530,488	drawdown available on all approved loans - in reality some will slip into future years
loans repaid in the year	£394,956	(£394,956)		assumes all loans repaid on time and on schedule
interest earned		£89,800		loan interest due in year
written off		£0		any amounts formally written off
	£4,940,559	£3,998,792	£2,530,488	
			£3,430,000	Maximum value of all potential loans at some point in the system.
potential further loans	(£5,960,488)	£0	£5,960,488	
	(£1,019,928)	£3,998,792		
provision for bad debts		(£200,864)		Trinity Quays ⁱ
	(£1,019,928)	£3,797,928	£5,960,488	

7.3 It should be noted that the number and value of potential loans is a dynamic figure. The potential loan figure is very likely to be reduced through the use of Growing the Humber/ Growing Hull & East Yorkshire grants in any event and should the fund be over-committed after such grants then we would delay making approved loans until funds became available.

8. Use of Reserves: Amounts ring-fenced to future specific projects

8.1 The allocation to future projects comprises:

<u>Commitments</u>	<u>bal c/f</u>	<u>see Para</u>
Activity to support the education & skills agenda	£69,463	8.2
Quality in Careers Standards and Reassessment/Gold Standard	£27,835	8.5
Marketing	£17,405	8.6
Business day	£15,056	8.7
Humber Energy Campus	£6,300	8.8
Chair's remuneration	£30,000	8.9
	<u>£166,059</u>	

Activity to support the education & skills agenda

8.2 The Board previously agreed to set aside £100,000 to support the education and skills agenda, in particular reflecting that 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.

8.3 This has enabled the fixed term employment of an additional member of staff to support on the economic inclusion agenda focussing on clients furthest from the labour market leading to an increased future workforce with a specific focus on young people who are not engaged in education, training or employment

8.4 The very small remaining balance will be used to support the arising recommendations from the SAP/ESB and the People Chapter of Local Industrial Strategy

Quality in Careers Standards & Reassessment (previously known as the Humber Gold Standard)

8.5 This supports the delivery of the national Quality in Careers Standard kite mark obtained by schools and training providers in the Humber

area & funding to enable re-assessments to take place. Funds will be drawn down as standards are achieved. The LEP will be reassessed for licensing in November this year.

Marketing

- 8.6 The residual balance is held to reflect the need to do more promotional work post Covid, alongside maintenance of the Invest Humber web site.

Business Day

- 8.7 The balance will be held to support sponsorship of the event, alongside costs in setting up the exhibition space.

Humber Energy Campus

- 8.8 The balance will fund a joint event at the Wind Energy conference in Hamburg held between 1st to 4th Dec 2020.

Chair's Remuneration

- 8.9 The July Board agreed to a proposal to remunerate the chair for a total of £20,000 plus an additional £250 per day up to a maximum of 40 additional days per annum (£10,000).

Future liabilities

- 8.10 As set out earlier in this report the LEP is carrying balances of £150,000 against future liabilities (principally in respect of any redundancy and pension strain costs that may become due). At this stage it is not possible to determine how much of this reserve may be needed as a consequence of the future structural changes to arrangements & geography going forward and therefore the report assumes no change in this reserve for now. As the consequences of changes become clear this will be updated accordingly.

9. Financial and resource implications

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

Graeme Smith

Kishor Tailor

Finance Business Partner,
Corporate Finance, Hull CC

Chief Executive
Humber LEP

tel: 01482-613081

tel: 01482-485268

ⁱ The owner of TQ llp Mr Fulstow has an IVA in place with Quantuma llp acting as his nominees. This commenced in September 2016. The report from the IP in October 2018 effectively halved the assumed realisations of Mr Fulstow's assets (with none actually realised over the two years at that point) and suggested at best a final distribution rate of 16p per £1, but the bulk of that comes from a property described as being in a "poor state". The other main asset, being shares in an Egyptian Hotel, are expected to have "little value". Therefore, overall 100% of this loan has been provided for.