

HEY LEP Board

HEY LEP Reserves Paper B

Report to the Board, March 2024

Joint Report from the HEY LEP Chief Operating Officer and Hull City Council (HEY LEP Accountable Body).

1. Purpose of Report

- 1.1 This report updates the LEP Board on the potential reserves available at the end of the coming financial year & associated matters around the year end accounts for 2023/24.

2. Recommendations

- 2.1 That the **projected** year-end position be noted.
- 2.2 That the HEY LEP Board note and comment on the potential use of reserves of up to £150,000 as set out in section 12, with the expectation that any unused reserves would ultimately be transferred to the proposed mayoral combined authority*.
- 2.3 That the detailed financial summary in relation to LEP spend for the current financial year is presented in due course to the Hull & East Riding Unitary Leaders Board and that the Audit, Finance and Governance Panel continues and meets solely to consider what will be the former LEP position late spring/summer 2024.

3. Summary Position

- 3.1 As the LEP Board will be acutely aware, Government core funding for the LEP ceases at the end of the current financial year with the consequence that there will not be a LEP Board in place to determine use of reserve balances at the end of this financial year or to approve the accounts.
- 3.2 Clearly what funds are available at 31/3/24 is not yet known and therefore this report cover the latest projections as we understand them.
- 3.3 Funds in respect of ring-fenced projects are not covered as part of this report on the basis that we expect such surpluses to remain ring-fenced to those projects. This covers Careers Hub and specific skills projects, the Growth Hub and specific business support projects, Growth Funds, grants and loans, and carbon net zero projects. The actual position will, of course, be reported as part of the final set of accounts.

* Depending on the outcome of the public consultation and LA Cabinet discussions

4. Year-end accounts

4.1 By the time of production of the year end accounts the LEP will have ceased to exist. Specifically, there will be two sets of accounts that will need to be dealt with:

- the statutory accounts for the company which is dormant, and it is proposed that the approval of these accounts takes place through the directors who remain as part of the transition. At present the two leaders are directors and for these purposes it is suggested that they remain directors at least for a short period and give approval to these accounts.
- The more detailed financial summary which gives an update on all the financial implications of the activities that are influenced by the LEP which include the core funding alongside activities funded by other grants such as the Growth Hub, Careers etc. It is proposed that this is dealt with by reporting to the Hull and East Riding Unitary Leaders Board in or around July of this year. The board may wish for arrangements similar to that which took place for the Humber LEP also to be replicated whereby the equivalent of the Humber LEP Audit Finance & Governance Panel (“AFG”,) remained in place to consider the accounts in the summer following the cessation of the Humber LEP.

5. Current position

5.1 This report takes the starting position based on the known reserves at 31st March 2023 as reported to the LEP board at its meeting of July 2023. A copy of the report can be found here [Report title \(heylep.com\)](https://www.heylep.com) & the appendix can be found here: [HEY LEP 22 23 accounts.xlsx](#).

5.2 A split between reserves generated from the former Humber LEP and the current Hull and East Yorkshire LEP has not previously been given, so to derive this number it is assumed that reserves generated in the last three years are earmarked explicitly for Hull and East Yorkshire and therefore the balance relates to the Humber. To this effect costs in the current year that were Humber wide have been extracted and applied to the Humber balance, but no work has yet taken place looking at reserves generated in 21/22. However, it is unlikely that there are material impacts.

5.3 An accurate figure will be presented as part of the final accounts for the current financial year.

6. Potential reserves

	<u>Core (Humber)¹</u>	<u>Core - HEY²</u>	<u>Transport</u>	<u>Future liabilities</u>	<u>Surplus on NP11 energy conference</u>
Reserves at 1/4/23	338		102	251	78
Of which arising in 21/22 & 22/23	(246)	246			
Revised total	92 ³	246	102	251	78
Current year projections	(4)	5			
Additional provision for severance costs	(29)			29	
	59	251	102	280	78
Potential commitments	5	25			60
<i>Section:</i>	7	7	8	9	10

- 6.1 The above table reflects our current understanding and projections of reserves that are likely to be carried forward at the end of this financial year. This is an estimate and we do not expect any significant additional cost other than pay and some IT equipment, final expenses and transport for the last month of the financial year.

7. Core Funding

- 7.1 The likely position is as set out above and it is proposed that some of the reserves could be utilised as follows.
- place based analysis for the Humber Leadership Board as a commitment of up to £5k. This was approved by the LEP Board in January 2024 and not included in the projections above and is likely to be spent by 31st March 2024.

¹ the balance represents the value of reserves that were accrued prior to the hull and East Yorkshire LEP.

² This takes the surplus on core funding for the year ended 31/3/23 (£106,335) & 31/3/22 (£139,227).

³ This is thus effectively the residual Humber reserves.

- Support to The Business Day event in Bridlington of £10k
 - Potentially up to £15k to support amendments to the website etc.
 - Total potential commitments - £30k c
- 7.2 Work is presently being undertaken on the Humber Narrative by Future Humber with £5k committed by each of the 4 LAs and a further £40k in private sector contributions. It was previously agreed at the Board that the LEP commit £5k of the Humber element of reserves to this piece of work.
- 7.3 Whilst both HCC and ERYC have committed to invest resources into the core team who will form part of the new Strategic Skills Hub there remain two further core staff members who will require funding in the interim period at a cost £8000 for calendar month between them. The expectation is that these costs would be covered by the LEP Integration funding of up to £240k (para 11.1) but should this not be possible then a contribution of up to £72k could be required. The majority of all other staff costs come out of programme resources.
- 7.4 At this point there have been no identified additional costs in winding up the existing LEP structure with accommodation and services contracts terminated following the transition from the premises at Queen St to offices at the Guildhall and County Hall. However, it would be prudent to expect that there will be some additional costs that may need to be incurred and for these purposes it is suggested that an explicit provision of £5000 might be appropriate to cover any such unexpected eventuality and to cover costs such as mobile phones and stationery.
- 8. Transport**
- 8.1 This is the balance of transport funding that was originally allocated to the Humber LEP and although some has been spent, a balance of **£102,000** remains. This is un-ring-fenced money and therefore can be spent on any priority which is aligned to the principles of LEP delivery.
- 9. Future commitments**
- 9.1 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. An annual re-assessment of this figure will take place.
- 9.2 Clearly, these values are calculated based on the individual's age, length of service and salary and therefore – for the organisation - can change significantly should there be changes of personnel. Pension strain costs are especially volatile and highly dependent upon an individual's age.

- 9.3 A recent exercise has been undertaken to update the projections at the year-end based on no changes of staff.
- 9.4 An element of this also relates to staff funded through grants where those grants would not allow the recovery of any subsequent redundancy or pension strain cost. Again, the assumption is that such balances as would be appropriate would be held centrally.
- 9.5 Future commitments are thus expected to be £299,700 which is an increase of £43,200 from last year. Of this £19,400 (last year £5,300) relates to required resources for the administration of the Growing Places scheme.

10. NP11 Energy Conference

- 10.1 The former Humber LEP was invited by the NP11 to host an Energy Summit that will demonstrate the north's capabilities and future development potential in the fields of energy, decarbonisation and clean growth to businesses, Government, stake holders and potential investors. Income of £150,000 was received from the Green Port Growth programme, with further funding of £30,000 being provided by the NP11 group in 2019/20. Funding was also received from sponsorship. This generated a surplus overall of **£78,000**.
- 10.2 It is proposed to allocate £60k as follows:
- £40k for supporting work in relation to the Humber Energy Board
 - £20k to support the Net Zero Careers Hub (both GL and HEY LEPs are working together on this proposal).
- 10.3 The HEY LEP Board has previously agreed that the balance will be focused on future work on decarbonisation, promotion for future inward investment and to support future events where the Humber presence may be useful. This would leave **£18k** available for such projects.

11. Other funding

- 11.1 It is expected that there will be access to, subject to the provision of a satisfactory business case, up to £240k to deliver the functions previously delivered by LEPs in relation to business representation, local economic planning, and the delivery of government programmes where directed. The

Government also published technical guidance⁴ in August 2023 and have now published the final piece of guidance⁵ on the core functions of business representation and local economic planning. It is expected that this money will, inter alia, be used to update for example economic strategies where appropriate including refreshing the evidence base. To that end no reserves are required relation to the LEP to be allocated.

11.2 There are also currently funds available from the levelling up fund to cover Humber wide costs with the current expectation that these will be deployed as follows:

	£'k
Staff costs	90
External commissions	
Evidence review	40
Strategic & investment plan	50
Stakeholder events	20
	200

12. Use of Reserves

12.1 The proposals are therefore:

- Humber LEP reserves - a contribution of £5k towards the work Future Humber are undertaking as the board previously agreed*.
- HEY LEP Reserves – a contribution of up to £25k to cover the Business Day event* and amendments to the website etc.
- The costs of core staff who require funding and are not transferred to the Strategic Skills Hub are presently expected to be met from the LEP Integration Fund but should that not be available then potentially £8k per month, plus some additional staff transport costs re accommodation.
- Transport - there are no current existing proposals to use any of this money at this point in time, but it remains un ring- fenced & therefore free for use as deemed appropriate,

⁴ [Local Enterprise Partnerships: integration of LEP functions into local democratic institutions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/local-enterprise-partnerships-integration-of-lep-functions-into-local-democratic-institutions)

⁵ [Guidance for local authorities delivering business representation and local economic planning functions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/guidance-for-local-authorities-delivering-business-representation-and-local-economic-planning-functions)

- NP11 energy conference - it is proposed £60k is allocated and that the balance of this remains focused on future work on decarbonisation, promotion for future inward investment under support future events and activities aligned to clean energy which may be match funded e.g., Net Zero Hub etc.

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13. Ultimate disposition of unspent reserves

- 13.1 It is assumed that any LEP reserves that are not currently allocated and/or spent would most likely be transferred to the new Mayoral Combined Authority in due course, of course subject to the MCA being established.

14. Financial and resource implications

- 14.1 These are as set out in the report.

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