

Financial Accounts 2015/16

Introduction

As part of the Local Enterprise Partnership National Assurance Framework there is a requirement to produce a summary of the annual accounts of the Stoke on Trent & Staffordshire Local Enterprise Partnership (SSLEP) and ensure these are published.

Staffordshire County Council (SCC) and Stoke on Trent City Council (SoTCC) jointly act as the Accountable Body for the SSLEP, with each local authority taking responsibility for specific funding streams that the SSLEP receives. An accountability agreement is in place between the SSLEP and the two local authorities which sets out the respective roles and responsibilities of the relevant partners, including the governance arrangements. A formal review (audit) is undertaken on an annual basis of these arrangements, in line with the National Assurance Framework.

The Accountable Body ensures the use of resources of the SSLEP are subject to the usual local authority checks and balances, for example, appropriate grant conditions are complied with, robust approval processes are in place; funds are used appropriately and agreements are in place which include adequate provisions for the protection of public funds and decisions and activities of the SSLEP conform with legal requirements with regard to equalities, social value, environment, State Aid, procurement etc. The Accountable Body also maintains the official financial records of the SSLEP.

The formal accounts of the Accountable Body recognise the relationship it has with the SSLEP in the related party note to their accounts.

The SSLEP and Accountable Body work closely with the Cities and Local Growth Unit (BIS West Midlands), and an annual conversation is undertaken to verify that appropriate financial and other controls are in place, in particular in respect of Growth Deal and City Deal funding. Future years' allocations of this funding stream are dependent upon a successful 'annual conversation' and approval of the Cities and Local Growth Unit, which was received for 2015/16 on 4th March 2016. The Section 151 officer of the Accountable Body also has to provide written confirmation that they are content that the Local Assurance Framework is compliant with current national guidelines.

The purpose of these accounts is to give an overall view of the funds and financial activities that the SSLEP has been involved with during the 2015/16 financial year.

Financial Summary 2015/16

Funding Stream	Balance b/fwd £000	2015/16 Allocation £000	2015/16 Spend £000	Balance c/fwd £000
Growth Deal and City Deal	-	14,662	14,662	-
Regional Growth Fund & Growth Hub	3,502	251	405	3,348
Growing Places Fund	10,321	-	185	10,136
Core Fund	-	250	189	61
Strategic Plan	3	250	227	26
Total	13,826	15,413	15,668	13,571

Growth Deal and City Deal

Growth Deal and City Deal provides investment funds to Local Enterprise Partnerships for projects and schemes that benefit the local economy, and help delivery agreed outcomes, primarily in respect of housing, job creation and skills (apprenticeships). City Deal Funding is paid to Stoke on Trent City Council, as the Accountable Body, under *S31 of the Local Government Act 2003*, and is an unringfenced capital grant.

The Growth Deal funding, known as the Local Growth Fund (LGF) Grant, is paid by the Department for Communities and Local Government (DCLG) to the Accountable Body (Staffordshire County Council) under *S31 of the Local Government Act 2003*, and is also a non ringfenced capital grant.

Business cases are submitted and approved by the SSLEP for each scheme/project, and a formal grant agreement is put in place between the Accountable Body and the grant recipient prior to the grant being released. A key issue prior to the approval of the business case is how the proposed scheme contributes to the overarching priorities of the Strategic Economic Plan (SEP); whether it provides value for money and the leverage of additional private sector funding it provides e.g. developer contributions.

The table overleaf shows total grant payments made in 2015/16.

Scheme / Project	Grant Recipient	Grant Payments £'000
Lichfield Business Park (Infrastructure)	SCC	4,000
Meaford Business Park (Infrastructure)	SCC	3,700
Bericote Business Park (Infrastructure)	SCC	1,234
Branston Locks Business Park (Infrastructure)	SCC	470
Stafford Western Access Road	SCC	1,478
South Staffs College (Agristem - Skills)	<i>South Staffordshire College</i>	735
Local Sustainable Transport Schemes	SCC	680
Keele Innovation Centre (IC5)	SCC	1,920
Local Sustainable Transport Schemes	<i>SoT</i>	135
City Centre Access Schemes	<i>SoT</i>	48
Keele Smart Energy Network Demonstrator	<i>Keele University</i>	262
Total		14,662

Note:

Grant recipients - SCC = Staffordshire County Council / SoT = Stoke on Trent City Council.

The total payments made in 2015/16 of £14.662m form part of a total £118.25m agreed Growth Deal and City Deal grant allocation for these schemes/projects, which are programmed to be delivered over a 6 year timeframe up to 2020/21. This grant allocation is forecast to deliver schemes/projects with a total estimated value of £229m and achieve agreed strategic planned outputs of 1,000 new homes and 9,384 direct and indirect jobs secured and created.

Jobs & Growth Programme - Regional Growth Fund and the Growth Hub

The Jobs & Growth Programme consists of two key funding streams – The Regional Growth Fund and the Growth Hub revenue grant.

The Regional Growth Fund (RGF) – The overarching aim of the RGF is to support eligible projects and programmes in raising private sector investment to create economic growth and lasting employment conditions. The SSLEP was awarded £3.945m in RGF (Round 5) in November 2014 to invest over a two and a quarter year period ending in March 2017. The RGF grant is provided under *Section 7 and 8 of the Industrial Development Act 1982* to the Accountable Body, the Staffordshire Chambers of Commerce by the BIS (the Department for Business Innovation & Skills Department).

The criteria to support local businesses is that the company needs to be based in the UK; with plans to grow their business; create or protect jobs; help support private investment; they are unable to find suitable or appropriate funding elsewhere and are State Aid compliant.

Businesses are supported by the Chamber of Commerce to submit an application form for the Jobs & Growth Fund. They are then assessed for eligibility, financial health and ability to supply match funding by the Chamber. If businesses are suitable they are seen by a funding panel which makes the final recommendation. Evidence of new and sustained jobs must be proved within an agreed timescale or the company may be subject to clawback of the grant.

In 2015/16, £1.418m in RGF grants were approved by the Jobs & Growth Panel to 15 small, medium sized enterprises (SME's), with a target of creating 231 new jobs and protect 115 existing jobs. Of this approved RGF sum, £0.154m to date was drawn down in year by the SMEs.

The Growth Hub – In response to Local Enterprise Partnerships' (LEPs) proposals for growth hubs in their respective SEPs, the Government agreed to provide revenue grant funding to LEPs in 2015-16 to support the establishment or further development of growth hubs as set out in their Local Growth Deals.

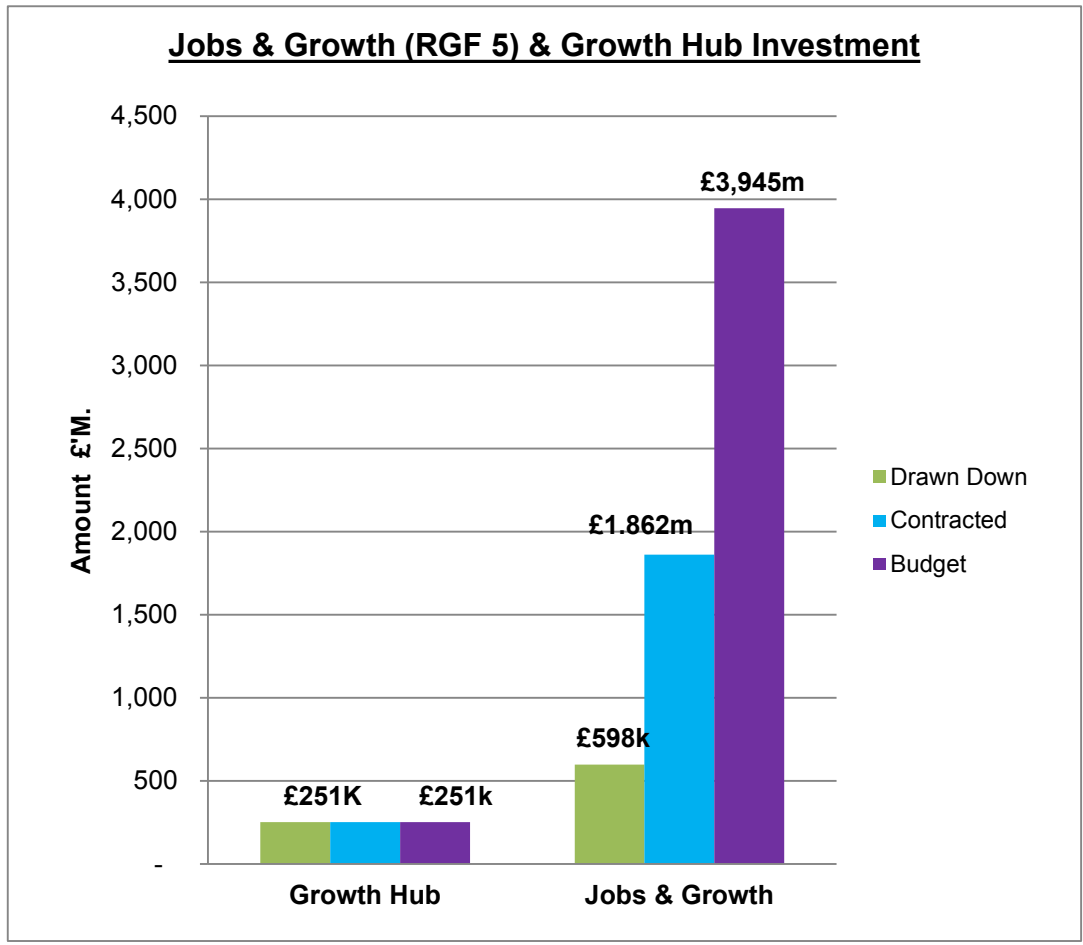
Government and the LEPs identified a central role for growth hubs in simplifying and rationalising business support in local areas and recommended that national business support should be aligned with growth hubs.

In return for funding in 2015-16, LEPs had agreed to five key principles to ensure that growth hubs meet Government expectations and achieve policy objectives. The principles are:

- a) developing strong, inclusive partnerships with local stakeholders;
- b) putting in place robust governance arrangements to oversee growth hub activity and ensuring alignment with the LEP’s strategic economic plan;
- c) ensuring plans for growth hubs are deliverable now and sustainable beyond 2015-16 when government funding ends;
- d) joining up national and local business support and simplifying the local offer;
- e) applying a common evaluation framework to identify what works and measures impact.

The Growth Hub Grant is paid by BIS to the Accountable Body (Staffordshire County Council) via *Section 11 of the Industrial Development Act* with the SSLEP receiving £0.251m in 2015/16. The SSLEP fully utilised this £0.251m revenue grant to invest in a Client Referral Management System; website development; a business advice help line and project management and consultancy.

A summary of the current RGF cumulative spend position and the annual Growth Hub revenue grant spend (as at the 31st March 2016) is shown in the graph below.



Growing Places Fund

The Growing Places Fund (GPF) grant was paid by the DCLG to the Accountable Body (Staffordshire County Council) under *S31 of the Local Government Act 2003*, and is an unringfenced grant.

The GPF is intended to be used by the LEP to invest in key areas of infrastructure to enable local economic development, with the loan funding invested to be returned to the LEP for re-investment in further provision of infrastructure. This mechanism is referred to as a Revolving Investment Fund (RIF) and is used to promote a long term locally led solution to local infrastructure constraints; job creation and enable housing development.

The criteria for GPF is to support a Small, Medium Enterprise (SMEs); that the company needs to be based in England; they want to strengthen or grow their business; create or protect existing jobs; help lever private investment; they are unable to find suitable or appropriate funding elsewhere and are State Aid compliant.

A total of £10.593m was initially allocated to the SSLEP in 2011/12 and stood at £10.321m (including 4 years of accrued interest) at the start of 2015/16. This fund is used to provide loans and (in some cases) grants to SMEs, following approval by the SSLEP GPF Panel.

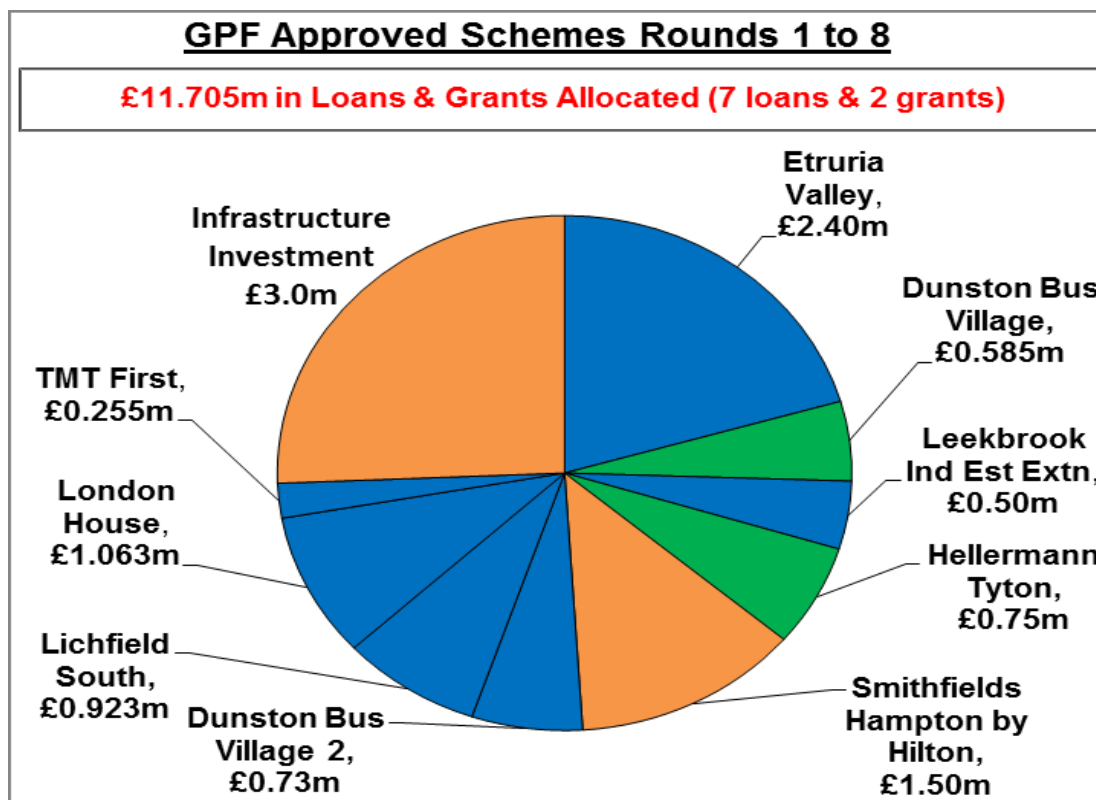
The SSLEP GPF Panel approval process consists of two stages: an initial filter stage followed by a second stage where a detailed business case submission has to be made which tests the integrity of the proposed schemes. This covers business & financial planning, procedural compliance and technical competence. Final approval is subject to appropriate due diligence and legal contracting and formal approval from the LEP Executive.

Where GPF loans are allocated, repayment schedules are agreed including interest and this increased loan amount once returned to the GPF is then made available for future SME investment.

Since receipt of the GPF grant, there have been eight bidding rounds open to local SMEs with 7 loan and 2 grant approvals so far being made by the Panel. To date, GPF loans totalling £7.805m and £3.9m in GPF grants have been approved which will support a total investment of over £64m in the local economy. At this stage, only 2 of the GPF approvals have moved to full contract with respective GPF loans now being paid.

During 2015/16, a total of £0.185 in GPF was paid to the first GPF contracted local SMEs – a business located in South Staffordshire.

Overleaf, is a pie chart which summarises all approved GPF loans and grants to date:



Key:

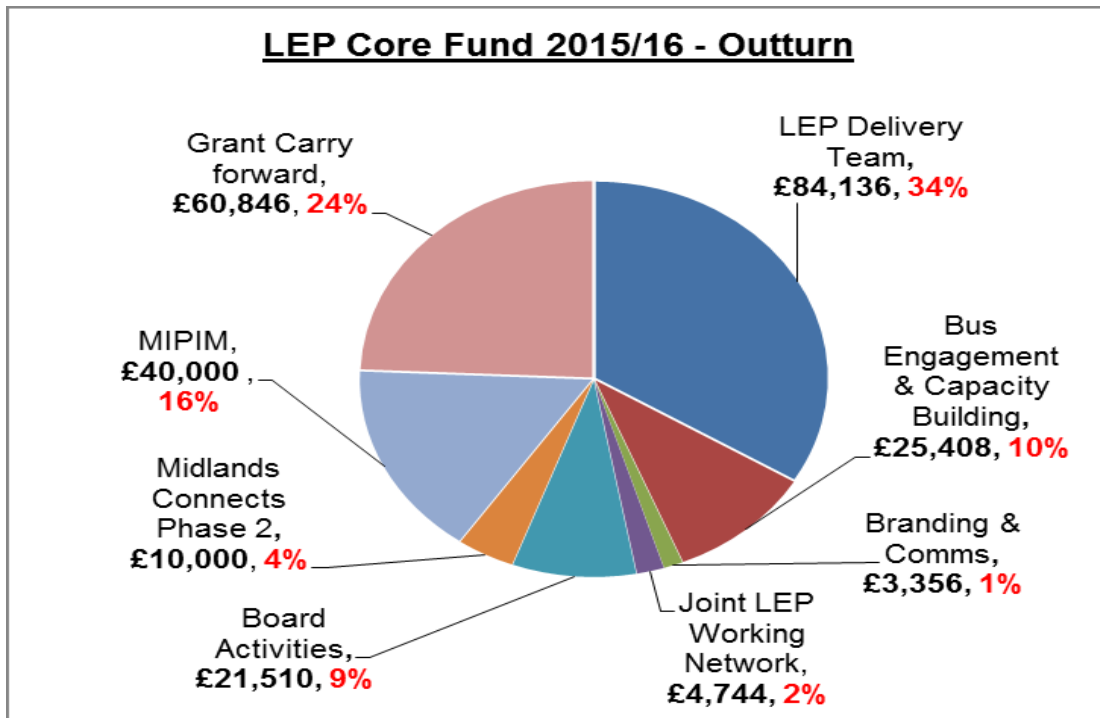


Strategic Plan and Core Fund Grants

There are currently two annual revenue grants of £0.250m each awarded to SSLEP by the DCLG. Both of these revenue grants are paid to the Accountable Body (Stoke on Trent City Council) under *S31 of the Local Government Act 2003* and both grants are unringfenced to allow LEPs greater flexibility of spend.

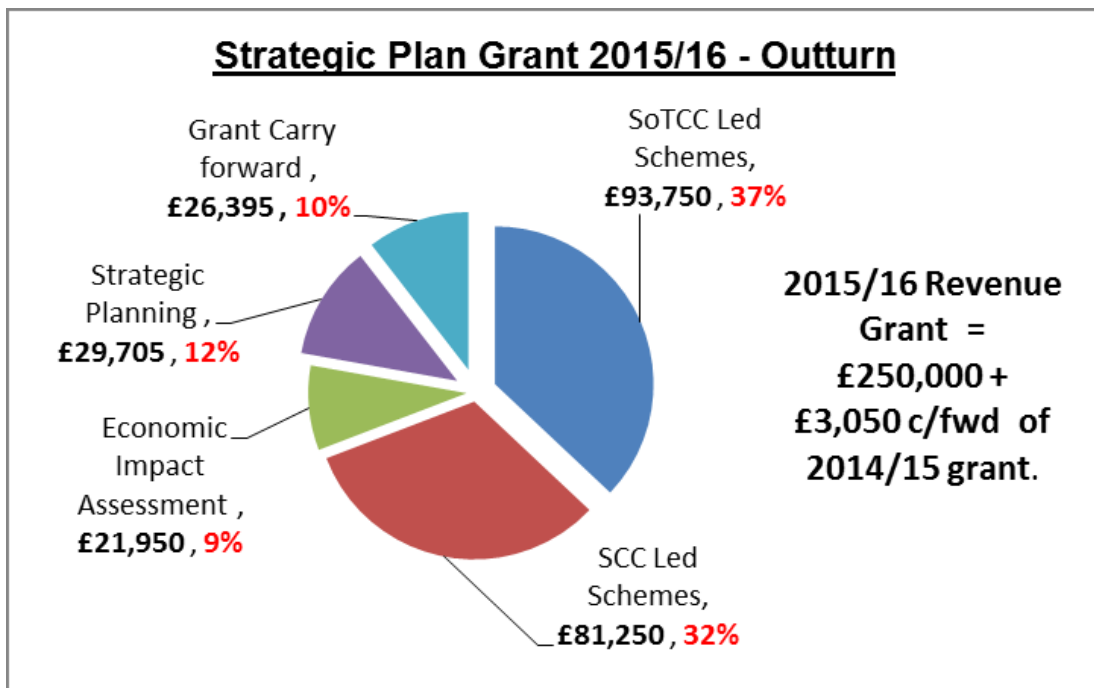
Of the 2 annual revenue grants received, the Core Fund Grant requires local matched funding from both local authority partners whilst the Strategic Plan Grant is unconditional.

The SSLEP has primarily used the £0.250m Core Fund Grant in 2015/16 to support the activities of the LEP Board and its Delivery Team. At the year end, a sum of £60,846 of the grant was carried forward in 2016/17 to support future Board and Delivery Team commitments.



In 2015/16, the Strategic Plan Grant has been utilised to support strategic planning; economic impact assessments and business case development for Local Growth Deal schemes and projects which are led by either Stoke on Trent City Council or Staffordshire County Council. At the year end, £26,395 of the grant was unspent and has been carried forward into 2016/17 to support future commitments.

Outlined in the pie chart below is the Strategic Plan Grant spend for 2015/16:



For future years, the 2015 Spending Review confirmed that Central Government would continue to fund both revenue grants at the same levels in 2016/17 only. No decision has yet been made in respects to future years revenue grant allocations to the SSLEP.

European Structural and Investment Funding (ESIF)

The SSLEP has an indicative allocation of around £127m following approval of the Local Enterprise Partnership's ESIF Strategy. The ESIF allocation involves three principal funds which are provided by the European Union:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- European Agricultural Fund for Rural Development (EAFRD)

ERDF is delivered via competitive open bidding calls. Four bidding calls have been held to date by the SSLEP and there has been a high level of interest across the ESIF themes of Innovation, SME Competitiveness and Low Carbon Economy, but bids have yet to be forthcoming for the ICT and Environmental Protection themes. The impact of EU funding will be measured in terms of jobs created and the number of SME businesses supported, the level of private sector investment, reduction in CO2 emissions and biodiversity improvements.

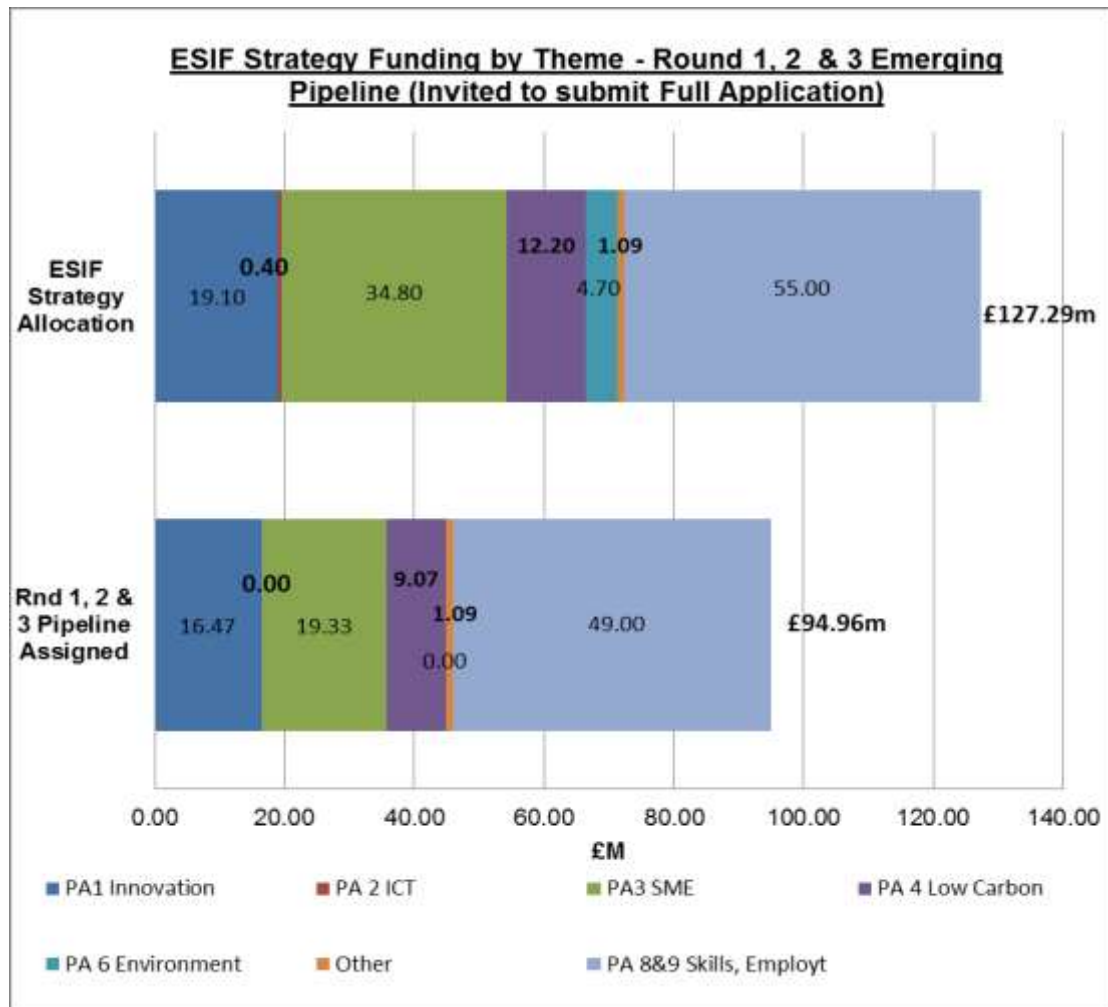
ESF focuses on addressing skills gaps in the LEP Area's workforce and will also address tackling barriers to help those in disadvantaged groups and furthest away from accessing job opportunities. ESF funding is normally measured by the numbers of people gaining higher level qualifications, those participating in national programmes such as NEET or Apprenticeships and those participating in activities that move them along their development journey.

The purpose of the EAFRD programme is to stimulate economic growth across rural areas focussing on farm productivity and diversification; rural SME business development and support for the tourism and food & drink sectors. Again measured by job creation and business support EAFRD is delivered via open bidding calls. The first limited call opened in Summer 2015 and a second call is planned for Autumn 2016.

Stoke on Trent & Staffordshire has been awarded Transition Area status by the EU. This status is for regions of member states whose economic performance in terms of GVA (Gross Value Added) is between 75% and 90% of the EU average. Transition status means that ESIF interventions for eligible projects and programmes can be up to 60% of total funding compared to 50% for non Transition areas.

The SSLEP is accountable for the performance of the ESIF programme, via its ESIF Committee, and provides strategic direction and management. However, it is the individual ESIF Fund applicants who are responsible for their bid application to each of the government’s Managing Authorities – the DCLG for ERDF; the Department of Works & Pensions (DWP) for ESF & the Department for Environment & Rural Affairs (DEFRA) for EAFRD – leading to a final funding agreement. No ESIF funds therefore flows directly through SSLEP.

During 2015/16, three ERDF bidding rounds were open for scheme/project developments and investment. In summary, £94.960m of total ESIF funding has been committed following business case submissions and approvals from the DCLG, DWP and DEFRA. The bar chart below details the ESIF Strategy’s economic development themes set compared to their respective current project pipeline approval rates.



To date, the SSLEP ESIF Strategy is currently exceeding the UK average in terms of bids. To date, 63% of the £72m ERDF allocation has been accounted for in bid activity compared to the national average of 42% across all 39 LEP areas. Subsequent bidding rounds are planned to maintain the momentum of the ESIF programme subject to agreement between the government and the European Commission.

2015/16 Overview and Future Years

In 2015/16, the SSLEP spent £15.42m of its £29.0m total funding resource and has carried forward a balance of £13.58m into 2016/17. During the year, the SSLEP fully spent both its first LGF tranche of £14.4m and a further £0.262m of its 2015/16 City Deal funding allocation on its approved Growth Deal and City Deal schemes and projects, attracting a further £13.54m in private sector leverage and £12.45m in local authority capital investment contributions

The SSLEP is now entering its second year of the Local Growth Deal Programme and has been allocated its second tranche of LGF totalling £33.4m in 2016/17 to enable it to deliver on Year 2 of its SEP. The SSLEP is due to receive a further £27.24m in LGF funding over the forthcoming 4 years up to and including 2020/21.

The SSLEP is also currently preparing a bid for the forthcoming Local Growth Deal 3 (LGD3) round. Project and scheme proposals submitted by SoTCC; the Districts Authorities and SCC are currently being evaluated and shortlisted.

The City Deal has progressed in 2015/16 with both the Keele SEND and Stoke on Trent District Heat Network business cases being approved by BIS and the funding allocations released. The SSLEP is to continue overseeing these two significant City Deal capital schemes which are due to receive a further £24.49m in City Deal funding up to 2020/21.

For the Jobs & Growth Programme, RGF 5 funding to SMEs is due to cease in February 2017. However, the Growth Hub revenue grant funding to support local businesses is to continue but has been reduced to £0.205m for 2016/17. The grant will be utilised to fund on going SME business support commitments.

Further GPF bidding rounds are planned during the course of 2016/17. However, given the relatively low number of GPF bids that have successfully progressed to full contract, the SSLEP are to invest some of its new year Capacity grant (formerly the Strategic Plan Grant) to fund a review of the overall GPF funding mechanism; evaluate its current processes and procedures and to see if this Investment Fund can better promoted and utilised more efficiently to support the local business community.

The SSLEP's ESIF Strategy has, following a relatively slow start, progressed significantly during 2015/16 and is currently exceeding the UK average in terms of project pipeline bids and approvals. Further EU project bidding rounds are currently planned for 2016/17 with the aim that all of the ESIF Strategy indicative allocation will be fully assigned and contracted.

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