
Title:	Annual Accounts for 2020/21 and Finance Report
Purpose:	To review and approval the BLEP final accounts for 2020/21 and to provide an update on the in-year financial position for 2021/22.
Recommendation(s):	That members note the content of this report and agree: i. The 2020/2021 annual accounts for presentation at the LEP AGM on November 10th ii. To approve the Scheme of Financial Delegation and Cash, Working Capital and Treasury Management Policies. iii. To note the recommendations of the Audit & Finance Sub Group and in-year financial summary.
Impact on Risk Register:	The transfer of operational financial arrangements from Buckinghamshire Council to the LEP, if not managed effectively, could have a significant impact on the reputation of the LEP and its partners and has been added to the Risk Register for close review during this transition process.

1 Annual Accounts 2020/21

A copy of the draft BLEP annual accounts for 2020/21 were reviewed by the Audit & Finance Sub Group at its meeting on September 29th. The Sub Group recommend that these draft accounts, attached as **Appendix 1a/1b** to this report, are approved. The Sub Group noted there is further work to be done in the coming months to confirm the revenue and recycled capital reserves to be transferred to BLEP's newly established bank account.

Alison Richardson from Richardson's Chartered Accountants, who have prepared these accounts on our behalf, will present the draft accounts and answer any questions that the Board may have on the figures. Subject to approval, the accounts will be presented to the LEP AGM on the morning of Wednesday 10th November.

2 Financial Report

The Audit & Finance Sub Group also received an update from the Head of Finance and Assurance on the new operational procedures that were being put in place to prepare for the LEP independently managing its own financial operations. As part of this process, the Sub Group considered new a Scheme of Financial Delegation and a Cash, Working Capital and Treasury Management Policy see **Appendices 2 & 3**. These are recommended for approval by this board.

A new Management Board Financial Reporting framework was also shared with the Sub Group which presents the company's capital and revenue financial position, setting out the key in-year messages and a summary of the actions being undertaken by the LEP Executive to manage any risks and to operate within approved budgets.

The main headlines from this framework document relating to revenue are listed below:

Bucks LEP Operational Income & Expenditure Summary 2021/22							
	Year to Date (to August)			Full Year			
	Actual	Original Forecast	Variance	Original Forecast	Revised Current Forecast	Variance	
	£'000	£'000	£'000	£'000	£'000	£'000	
Income	267.8	250	17.8	1246.3	1094.9	151.4	
Expenditure							
Pay	276.6	341.5	64.9	737.2	819.6	82.4	
Non-Pay	354.6	130.5	224.1	509.1	318.2	-191	
Surplus/-Deficit	-363.4	-222	-141.4	0	-42.9	42.9	

The year-to-date operating income is £18k higher than planned that is following government's decision to pay the core funding allocation in tranches. This was due to a combination of the receipt of an unbudgeted brought forward credit balance from the Enterprise Zone programme, offset by a shortfall in BLEP core funding income from government. Overall full year income is forecast to be £242k lower than the original 2021/21 budget. This is due to the core funding allocation being £100k lower than 2020/21 and the bank interest being £142k lower than budgeted.

The full year income forecast for core funding continues to be £500k and we expect this to be determined following a successful outcome of the Mid Year Conversation. If the second core funding payment of £250k does not materialise the overall income shortfall for the year will increase to £492k. We should receive confirmation of the core funding outcome at SR21 at the latest.

The year to date pay position is underspent by £65k due to post vacancy periods within year for the Head of Finance and Assurance, Broadband Project Manager and Digital Strategy Manager. Two of these roles have been recruited, with one post remaining vacant which will in turn result in a forecast pay saving at the end of the financial year. Full year forecast includes the Digital Strategy Manager vacancy to mid-November and the Broadband Project Manager vacancy to the end of December. Though it is likely that this post will not be recruited until the new year leading to further pay saving.

The year to date non pay position is overspent by £224k compared to the original budget. The overspend is mainly due to unbudgeted expenditure and includes a combination of unaccrued 20/21, Enterprise Zone and BBF and Skills Hub costs. The Enterprise Zone programme will reimburse costs and the unaccrued costs will have resulted in a larger reserve in 2020/21 that will now be called upon in this current financial year.

The full year forecast shortfall will need to be funded from the BLEP operating reserve. This will reduce the company's brought forward operating reserves of £769k. I would recommend that that the Board approve the replenishment of operating reserve from the wider capital revenue reserve which currently stands at circa £2.8m. It is also set to increase in coming years as outstanding loans are repaid and broadband gainshare and EZ incomes is received. It would therefore be prudent to sustain the financial reserve to equate to one year of LEP pay and essential non pay running cost.

The Chief Executive and Head of Finance and Assurance are currently undertaking a review of future capital reserve commitments and income projections including broadband gainshare and loan receipts and will be presenting a full summary to the next meeting of the Audit & Finance Sub Group.

Members are asked to note the content of this report and:

- i. Agree the 2020/2021 annual accounts for presentation at the LEP AGM on November 10th.**
- ii. Approve the Scheme of Financial Delegation and Cash, Working Capital and Treasury Management Policies.**
- iii. Note the recommendations of the Audit & Finance Sub Group and in-year financial update.**