



# Statement of Accounts

Financial Year 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015

Produced by the Accountable Body – Essex County  
Council

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## Section One - Introduction

# Introduction

1. The South East Local Enterprise Partnership (SELEP) brings together key leaders from business, local government, further and higher education in order to create the most enterprising economy in England through exploring opportunities for enterprise whilst addressing barriers to growth.
2. Covering Essex, Southend, Thurrock, Kent, Medway and East Sussex, the South East LEP is the largest strategic enterprise partnership outside of London. The South East LEP is one of 39 partnerships set up by the Government to be the key body determining strategic economic priorities while making investments and delivering activities to drive growth and create local jobs.
3. The South East LEP is an unincorporated informal partnership. To facilitate the operations of the SELEP, Essex County Council acts as the Accountable Body for the partnership. This means that the Council receives funds and makes payments on behalf of the SELEP, oversees contract management with suppliers and ensures that the Partnership has sufficient cash flow.

## Revenue Expenditure

4. The original revenue expenditure budget for the South East LEP for financial year 2014/15 was set at £1,095,925. The following income streams were budgeted to support the expenditure in year:
  - Core Grant from Central Government of £525,900;
  - Expected grant to support work on developing the EU Investment Strategy from Government of £25,000;
  - Contribution from Local Government partners of £200,000;
  - Application of £50,000 of the Growing Places Fund revenue grant to support the administration costs of the fund;
  - Application of the remaining £65,025 of the previously awarded Transport Grant to support the further development of the transport projects within the Local Growth Fund; and
  - A contribution of £230,000 from the SELEP's own reserve.
5. At the end of the financial year SELEP had applied a total of £995,256 of Government Grants, received a total of £196,178 in partner contributions and £180,699 of external interest was received in respect of balances held for the Growing Places Fund.

## Section One - Introduction

6. Total gross expenditure at the end of the financial year totalled £1,167,631. Both the expenditure and the Government Grants total referred to above include the monies paid from the revenue element of the Growing Places Fund to Harlow Enterprise Zone. This contribution totalled £421,143 and was not originally budgeted. This transaction had a net nil effect on the cash position of the partnership, it was necessary to process via the income and expenditure account and therefore both expenditure and grant income are higher than originally budgeted for.
7. In total the Partnership's income exceeded expenditure by £205,000 which has been transferred to the general reserve.

### **Growing Places Fund Grant**

8. A grant of £49 million was made to the South East LEP under the Growing Places Fund initiative. The Growing Places Fund grant was to be used to establish a revolving infrastructure fund that could be used across the LEP area to bring forward economic regeneration projects that have stalled.
9. The GPF grant was fully allocated by the South East LEP Board in 2011/12 but appraisals, due diligence and legal agreements took longer to complete than originally anticipated. A total of £4.91 million of the grant was paid out in loans during the financial year and one repayment of £500,000 was made.

## Section Two – Statement of Responsibilities

# Statement of Responsibilities

### **10.Executive Director for Corporate Services’ responsibilities**

The Executive Director for Corporate Services is responsible for the preparation of the South East LEP’s Statement of Accounts in accordance with proper practices as set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the ‘Code of Practice’). In preparing this Statement of Accounts, The Executive Director for Corporate Services has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates which were reasonable and prudent
- Complied with the Code of Practice
- Kept proper, up to date, accounting records
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

### **11.Executive Director for Corporate Services’ certificate**

I certify that this Statement of Accounts has been prepared in accordance with proper practices, and presents a true and fair view of the financial position of the South East Local Enterprise Partnership at 31 March 2015 and its expenditure and income for the year then ended.

**Margaret Lee, Executive Director for Corporate Services**

**Date:**

## Section Two – Statement of Responsibilities

### **12.Chairman of the South East LEP Board's certificate**

I approve these accounts on behalf of the South East Local Enterprise Partnership Board and confirm that they were considered by the Accountability Board at its meeting on 13 November 2015.

**George Kieffer**

**Acting Chairman of the South East Local Enterprise Partnership**

**Date:**

## Section Three – Statement of Accounts

# Statement of Accounts

**13.**The Partnership's accounting statements for 2014/15 comprise:

- **Movement in Reserves Statement**

This statement shows the movement in year on the different reserves held by the Partnership, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce contributions) and 'unusable' reserves. The General Fund Balance at the line 'Balance at 31 March 2015' shows the funds available to the Partnership in 2015/16 and future financial years.

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance generally accepted accounting practices.

- **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Partnership and the Accountable Body. The net assets of the Partnership are matched by the reserves held by the Partnership. Reserves are reported in two categories:

**Usable reserves** – those the Partnership may use to fund expenditure.

**Unusable reserves** – those that the Partnership is not able to use to fund expenditure. These include reserves that hold adjustments between accounting and funding certain transactions which are permitted under regulations.

**14.**Supplementary information is set out within the notes to the accounts to provide further information on the financial performance of the Partnership during 2014/15.

## Section Three – Statement of Accounts

### Movement in Reserves Statement

For the years ended 31 March 2014 and 31 March 2015

	Notes	General Fund Balance £000	Total Useable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2013</b>		(184)	(184)	884	700
<b>Movement in reserves during 2013/14</b>					
Surplus on provision of services		(55)	(55)	-	(55)
<b>Total Comprehensive Expenditure and Income</b>		(55)	(55)	-	(55)
Adjustments between accounting basis & funding under regulations		-	-	151	151
<b>(Increase)/decrease in 2013/14</b>		(55)	(55)	151	96
<b>Balance at 31 March 2014</b>		(239)	(239)	1,035	796
<b>Movement in reserves during 2014/15</b>					
Surplus on provision of services		(205)	(205)	-	(205)
<b>Total Comprehensive Expenditure and Income</b>		(205)	(205)	-	(205)
Adjustments between accounting basis & funding under regulations	18	-	-	198	198
<b>(Increase)/decrease in 2014/15</b>		(205)	(205)	198	(7)
<b>Balance at 31 March 2015</b>		(444)	(444)	1,233	789

### Comprehensive Income and Expenditure Statement

For year ended 31 March 2015

2013/14				Note	2014/15			
Gross expenditure	Income	Government grants	Net expenditure		Gross expenditure	Income	Government grants	Net expenditure
£000	£000	£000	£000		£000	£000	£000	£000
878	(353)	(580)	(55)		17	1,167	(377)	(995)
878	(353)	(580)	(55)		1,167	(377)	(995)	(205)
151	-	-	151	18	198	-	-	198
1,029	(353)	(580)	96		1,365	(377)	(995)	(7)



## Section Three – Statement of Accounts

### Balance Sheet as at 31 March 2015

31 March 2014 £000	Note		31st March 2015 £000	£000
11,002	19	Long term debtors	15,214	
<b>11,002</b>		<b>Long term assets</b>		15,214
37,821	20	Short term debtors	33,180	
<b>37,821</b>		<b>Current assets</b>		33,180
(333)		Creditors	(364)	
(3,809)	17	Revenue grants received in advance	(3,342)	
(45,477)	17	Capital grants received in advance	(45,477)	
<b>(49,619)</b>		<b>Current liabilities</b>		(49,183)
<b>(796)</b>		<b>Net assets</b>		<b>(789)</b>
		<b>Usable reserves</b>		
(239)		General fund balance	(444)	(444)
		<b>Unusable reserves</b>		
1,035	18	Financial Instruments Adjustment Account	1,233	1,233
<b>796</b>		<b>Total reserves</b>		<b>789</b>

## Section Three – Statement of Accounts

### Notes to the Statements of Accounts

#### 15.Accounting Policies

##### Introduction

The Statement of Accounts summarises the Partnership's transactions for the 2014/15 financial year, and its position as at 31 March 2015. The accounting policies explain the basis for the recognition, measurement and disclosure of transactions and other events within the Statement of Accounts.

The Partnership's Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, insofar as that is applicable to the activities of the Partnership, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

##### Accounting for Loans

The Growing Places Fund loan advances are made on an interest free basis, which means that they are accounted for as soft loans. In order to comply with the CIPFA Code of Practice and statutory regulation it is necessary to measure such loans at fair value in the Financial Statements.

In the case of loan advances, such as GPF loan advances made by the South East LEP, the value of the advance made is presented in the accounts as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument and for an organisation with similar credit rating.

All GPF loan advances have been made to upper tier authorities and therefore the prevailing rate of interest used was that available from the Public Works Loan Board on the day of the advance.

The sum by which the amount lent exceeds the fair value of the loan shall be charged to Surplus or Deficit on the Provision of Services. This deficit does not require funding as it is an accounting adjustment only. This adjustment is held in the Financial Instruments Adjustment Account.

Over the life of the loan the value of the adjustment will be reduced in each year until the value of the loan advances match loan repayments in cash terms.

## Section Three – Statement of Accounts

### 16. Accruals of Income and Expenditure

The Partnership accounts for income and expenditure in the year the effects of the transactions are experienced, not simply when the cash payments are made or received. In particular:

- **Receipt of goods and services:** expenditure is recognised when the goods are consumed and the services received by the Partnership.
- **Interest:** Amounts payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than according to the cash flows fixed or determined by the contract.
- **Debtors and Creditors:** where income and expenditure has been recognised, but the cash has not been received or paid, a debtor or creditor for the relevant amount is recognised in the Balance Sheet.

### 17. Grant Income

Government grants and third party contributions and donations are recognised as due and credited as income in the Comprehensive Income and Expenditure Statement, when there is reasonable assurance that:

- There are no conditions attached to them or that the Partnership has complied with the conditions attached to them; and
- The grants and contributions will be received.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the grant or condition are required to be consumed by the Partnership as specified, or future economic benefits or service potential must be returned to the awarding body.

Where a grant or contribution has been received, but the conditions are not satisfied, the amount will be carried in the Balance Sheet as a grant receipt in advance.

## Section Three – Statement of Accounts

An analysis of the grants that have been credited to the Net Cost of Services within the Comprehensive Income and Expenditure Statement is as follows:

2013/14			2014/15		
Capital grants £000	Revenue grants £000	Total £000	Capital grants £000	Revenue grants £000	Total £000
<b>Department of Business, Innovation and Skills</b>					
-	26	26	-	-	-
-	26	26	-	-	-
<b>Department for Transport</b>					
-	54	54	-	45	45
-	54	54	-	45	45
<b>Department of Communities and Local Government</b>					
-	-	-	-	421	421
-	500	500	-	529	529
-	500	500	-	950	950
-	580	580	-	995	995

An analysis of the grants carried in the Balance Sheet as a receipt in advance is as follows:

2013/14			2014/15		
Capital £000	Revenue £000	Total £000	Capital £000	Revenue £000	Total £000
<b>Department for Transport</b>					
-	78	78	-	33	33
-	78	78	-	33	33
<b>Department of Communities and Local Government</b>					
45,477	3,731	49,208	45,477	3,309	48,786
45,477	3,731	49,208	45,477	3,309	48,786
45,477	3,809	49,286	45,477	3,342	48,819

### 18. Financial Instruments

The SELEP has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year – the reconciliation of

## Section Three – Statement of Accounts

amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Instruments Adjustment Account

This account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2013/14 £000		2014/15 £000
884	Balance as at 1 April	1,035
356	Amortisation of discounts to the General Fund	494
(205)	Transfer from the General Fund for the difference between amounts credited/debited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statutory provisions	(296)
<u>1,035</u>	Balance as at 31 March	<u>1,233</u>

### 19. Long Term Debtors

Long term debtors are the loan advances made to upper tier authorities from the Growing Places Fund. As at note 18 above, the value of these advances are recognised at the present value of repayments over the life of the loan. This is because the loans are made at a nil interest rate. The cash value of loan advances this year was £4.41 million. The difference in value between this and the value recognised as a long term debtor is shown in the Financial Instruments Adjustment Account which is an unusable reserve.

### 20. Short Term Debtors

The Partnership's cash is held by Essex County Council, as part of the Council's role as Accountable Body for the Partnership. The cash held by the Accountable Body is recognised on the Balance Sheet of the Partnership as a short term debtor.

## Section Four – Independent Auditor’s Report

We have audited the Statement of Accounts for the financial year ended 31<sup>st</sup> March 2015, as set out herein.

We confirm that the accounts have been prepared in accordance with the financial reporting framework, as governed by Essex County Council’s Financial Procedures and Regulations, and in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the Board and Executive members of SE LEP, as a body, and Essex County Council as the Accountable Body. Our audit work has been undertaken so that we might state to Board and Executive members of SE LEP, as a body, and to Essex County Council as the Accountable Body those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and Executive members of SE LEP as a body, and Essex County Council as the Accountable Body for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Accountable Body and the Auditors.**

The Executive Director for Corporate Services of Essex County Council is responsible for the preparation of the Statement of Accounts and for being satisfied that the amounts contained therein give a true and fair view within the context of the financial reporting framework.

Our responsibility is to audit and express an opinion on the Statement of Accounts in accordance with our Engagement letter dated 21<sup>st</sup> September 2015 and with International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board’s (APP’s) Ethical Standards for Auditors.

### **Scope of the audit of the Statement of Accounts.**

An audit involves obtaining evidence about the amounts and disclosures in the Statement of Accounts sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for Corporate Services of Essex County Council; and the overall presentation of the Statement of Accounts. In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Section Four – Independent Auditor’s Report

### **Opinion on the Statement of Accounts.**

In our opinion the Statement of Accounts:

- Give a true and fair view in the context of the financial reporting framework of the SE LEP’s income and expenditure for the financial year ended 31<sup>st</sup> March 2015.
- Have been properly prepared in accordance with the recognition criteria and in accordance with the CIPFA/LASAAC Code of Practice on local Authority Accounting in the United Kingdom 2012/13. There are included limited notes which benefit the understanding of the user, but we offer no opinion for this non-statutory report as to whether the notes fully comply with disclosure requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Mr Athos Louca FCCA (Senior Statutory Auditor)

For and on behalf of Loucas Chartered Certified Accountants

Statutory Auditor

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