

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

Company Number 02753023

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

ANNUAL REPORT YEAR ENDED 31 MARCH 2014

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LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MARCH 2014

It has been an extremely important year for the LEP and as can be seen from our Accounts, one in which we have maintained our levels of activity in spite of the economic climate and austerity measures in which we operate.

Generally, Liverpool City Region (LCR) has recorded a strong economic performance over recent years, underlining the progress being made towards delivering sustainable economic growth across the City Region. For instance, over the last five years, during the severe financial and economic crisis in the UK, Liverpool City Region's economy has out-performed pretty much every City Region of the UK outside London, and the UK average, by some considerable margin. Our economy actually grew by over 10% during this period (2007-2012) where many others have seen limited growth. This strong performance is on the back of increasing business investment, with the creation of an additional 12,000 private sector jobs in the last two years, with many contained in the Key Growth Sectors of SUPERPORT, Visitor Economy, Low Carbon Economy and also in Advanced Manufacturing.

As the only LEP with a Membership model we continue to set ourselves apart from the other 38 LEPs established across England. As a body with subscribing, private sector Members we are one of the few LEPs that has the most tangible engagement with business and organisations beyond the public sector in the form of financial support, and as such, Membership remains critically important for the LEP. However, membership is more important than just financial support. It also provides the LEP with a source of expertise and sector-specific knowledge that gives genuine strength and endorsement to any lobbying that it undertakes on behalf of the City Region.

This year has seen Government increase the roles and responsibilities of LEPs, and the growing influence that LEPs now have in the national framework. Central to this has been the Local Growth Plan that has set out our strategic intentions for the local economy. In March 2014, the LEP submitted its Local Growth Plan seeking a significant amount of the Government's £2billion Local Growth Fund. The LEP's complex Plan outlined an ambitious vision to unlock the area's potential with the long term goal of achieving economic growth and job creation. It seems our Plan was persuasive to Government and met their expectations fully resulting in LCR being awarded £232.3m against an ask of £250m. A further £10.2m of funds outside of the Single Local Growth Fund were also awarded against this plan such that the total award is £242.5m.

2014 has also seen the creation of the Liverpool City Region Combined Authority. The Government see this as important in its own right but also to provide an efficient and effective mechanism for delivery of the Plan proposed by the LEP. As such, a close relationship between both bodies is essential and the LEP Chairman was invited to join the Combined Authority as a voting member representing the private sector. In addition, the Combined Authority nominated the LEP as the primary body to lead on strategic economic development for the City Region.

As always the LEP continues to work closely with the private sector on the development of the Key Growth Sectors that have been identified to enable the City Region to grow and create jobs. In addition to the Key Growth Sectors the LEP is also continuing to develop the Employment and Skills agenda, as well as Business Growth and entrepreneurship.

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The LEP not only operates at a strategic level but also provides delivery support on many other programmes including Regional Growth Fund, Growing Places Fund, and is leading on the Liverpool City Region EU Structural and Investment Funds Strategy.

Activity during the year under review has included:

- A number of LEP initiatives to help SMEs in the City Region grow.
 - £15million RGF secured for local businesses to help create 2,000 new jobs.
 - The £10million Business Growth Grant has, so far, allocated funding of £7.5million to 35 businesses that has created 726 jobs and safeguarded a further 713.
 - Development of a Skills for Growth Bank – an employer led scheme to help businesses grow and invest
 - Established a Stepping Stones Programme with the University of Liverpool to enable growing companies to recruit a graduate or student with the right skills set to help their business grow
 - Development of a New Markets Programme to help SMEs
 - Our work with SMEs in the Visitor Economy has resulted in the training of 47 new Blue Badge Guides with many setting themselves up as new businesses
- Supported over 22 City Region companies with their RGF applications. In particular the LEP helped local company Tratos secure £3.5million funding to enable them to redevelop and expand the production facility in Knowsley, helping to create more than 100 jobs
- Managing the City Region's €220million ERDF 2014-2020 Programme
- Growth in Visitor Economy to support over 48,000 jobs and generate £3.6bn economic impact
- Ensured City Region retained its Assisted Area Status allowing for higher level of funding to be provided for businesses
- Established a Making it Board to set out the future development and direction of Advanced Manufacturing across the City Region.
- Provided leadership of business support for HS2 including a direct link into Liverpool.

The next phase of work for the LEP will be to work, alongside partners, on an Implementation Plan for the Local Growth Plan for the City Region alongside the European Structural and Investment Fund (ESIF) 2014-20.

2014-2015 will also see us focusing heavily on our Business Growth agenda particularly around assisting SME growth via the New Markets Programme. This initiative has been devised to help local SMEs find the right commercial advice to help their business grow. As part of the programme, a new web-based advice service is being set up. Advicefinder.co.uk will match the needs of City Region businesses seeking advice and guidance with appropriate local professional services to help them grow and make a bigger contribution to the economy.

Robert Hough,
Chairman

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

DIRECTORS' REPORT YEAR ENDED 31 MARCH 2014

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

1 Principal activity

The company was incorporated on 5 October 1992, as The Mersey Partnership, with its principal activity being the promotion of the economic, cultural and social well-being of the area known as "The Mersey Region", consisting of the City of Liverpool and the Metropolitan Boroughs of Knowsley, St Helens, Sefton and Wirral, including the Unitary Borough of Halton as from 1 April 2001.

The company is limited by guarantee and does not have any share capital. The company has two wholly owned subsidiaries, Merseyside Tourism & Conference Bureau Limited and Visit Liverpool Limited, both companies are incorporated in England. These companies were dormant throughout the year ended 31 March 2014.

2 Directors

The directors of the company who served during the year are listed below:

		Appointed	
Cllr Phillip Davies		21 May 2012	
Mr Neil Sturmeay		26 January 2010	
Mayor Joseph Anderson		21 July 2010	
Mr Robert Hough	Chair	16 March 2012	
Mr Asif Hamid	Deputy Chair	16 March 2012	
Cllr Peter Dowd		16 March 2012	
Mr Richard Else		16 March 2012	
Cllr Barrie Grunewald		15 May 2013	
		18 July 2013	
Ms Amanda Lyne			
Mr Peter Nears		16 March 2012	
Professor Howard Newby		16 March 2012	
Cllr Robert Polhill		16 March 2012	
Mr Alistair Poole		16 March 2012	
Cllr Marie Rimmer		16 March 2012	(resigned 15 May 2013)
Cllr Ronald Round		16 March 2012	
Mrs Kath Boullen		21 June 2012	
Mrs Jeanette Kehoe-Perkinson		21 June 2012	(resigned 18 September 2013)
Ms Kate Willard		6 September 2012	
Mr Chris Bliss		19 September 2013	
Richard Paton	Company Secretary	26 June 2007	

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2014

Provision of information to auditor

So far as each of the directors is aware at the time the report is approved:

- There is no relevant audit information of which the company's auditor is unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

3 Review of business

The Liverpool City Region Local Enterprise Partnership (LCRLEP) is one of 39 LEPs established in England following the October 2010 White Paper 'Local growth: realising every place's potential'. The abolition of Regional Development Agencies created a gap between the lower tiers of public administration and government and its departments. This was particularly so in relation to economic development and LEPs were formed to address this at a regional level, in 'localities', defined by the natural functioning economic geography and not administrative boundaries. Their primary role is to drive economic growth under the strategic direction of partnerships between the private and public sectors together with third sector and education sectors.

As well as changes to national administrative structures, public administration at regional level has also seen change with the creation of Combined Authorities and a rise in the importance of Core Cities. The Liverpool City Region has formed a Combined Authority and Liverpool is one of eight 'Core Cities' in England. The Chairman of the LEP is also a member of the Combined Authority and with voting rights although these do not extend to certain statutory powers exercised by the Combined Authority. Given the LEP Board includes all leaders of the 6 local authorities, constituting the LCR, together with the LEP Chairman's inclusion on the Combined Authority, the LEP is embedded into the governance arrangements of LCR and can made accountable and make others accountable for actions in support of economic growth. Beyond these formal relationships the LEP maintains other relationships across a wide spectrum of stakeholders both local and national and also international.

The relevance of LEPs both to national and local policy has increased since the inception of the LEP. Perhaps the most important task that has been asked of LEPs was to bring forward 'Local Growth Plans' (LGP) that set out the strategic intentions for the local economy and how they may be achieved through Strategic Economic Plans (SEP). The latter identified investable projects that would enable the strategic vision to be achieved. Both perspectives were presented to government who assessed them and awarded public funds from the 'Single Local Growth Fund (SLGF)'. These allocations will be used alongside European funds that will be made available through the European Structural and Investment Fund (ESIF) and which again LEPs were required to make proposals on how such funds should be deployed. Clearly government see LEPs as central in this process and as a partnership this LEP has mobilised relevant local stakeholders to act in common purpose and has been endorsed locally as the primary entity in matters of economic development at city region level

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DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2014

Business model

The Liverpool City Region formalised its arrangements for a LEP in March 2012 and did so as an incorporated body operating as a not for profit entity, limited by the guarantee of its members. Among its members are all of the 6 constituent local authorities that comprise Liverpool City Region and each of its leaders are ex-officio members of the Board. Its total membership is around 450 and comprises businesses from all sectors of the economy ranging from restaurants and hotels to multi-national manufacturers.

Together with an Audit and Risk Committee and a Remuneration and Appointments Committee, the Board operates a number of specialist committee and subsidiary boards. The latter do not have delegated authority from the Board but consist of experts and specialists who provide advice and guidance on actions that will drive or enable economic growth. Members and non-members, alike, provide the membership of these sub-boards. In addition, the main Board is able to obtain more general strategic insight and validation from its Advisory Council. No appointment to any of the Boards or sub-boards is remunerated, including the Chairman.

The LEP has identified four 'key growth sectors' that are expected to be the drivers of economic growth in the Liverpool City Region: Knowledge Economy, Visitor Economy, Low Carbon and *SUPERPORT*. The LEP also performs a strategic economic development role at city-region level, liaising with government and co-ordinating the city-region's economic planning. In addition the LEP leads on the enablers of Business Growth and Enterprise and has oversight of Skills, Transport and Housing along with the Combined Authority where there are economic implications. Members of the board have assumed 'champion' roles to provide direct support for each of these functions and represent the Board on the sub-boards that focus on each area.

The company not only carries out the role of a LEP as set out in the White Paper but it also undertakes direct delivery projects. This allows the LEP to take direct action as an enabler of economic growth. As such the LEP does enter in to contractual arrangements with government departments to access funds in its own right and use such funds to deliver programmes and projects.

Most notable during 2013-14 was the award of £10m from the Regional Growth Fund (RGF) Round 4 allocations to be used to grant capital sums to support business expansion that would create or safeguard jobs. The total sum of £10m is not allocated in full but is drawn down against a commitment profile as projects are approved following appraisal. Whilst the LEP is the lead body the process is operated in partnership with Local Authorities and so demonstrating how effective collaboration at city-region level has become.

Performance

The company's performance for 2013-14 is in the context of a changing environment as described above and it has also needed to adapt to changes in its funding streams most particularly resulting from the transition between different ERDF projects. Three projects ended on 30 June 2013 and two new projects commenced in July and October 2013. Such changes have been well managed and whilst the reported operating position is a deficit of £26,137 (£25,512 after interest receivable income on bank deposits of £625) it does not

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2014

give rise to any concerns about sustainability in the immediate future. Reserves will not be significantly impacted by such a small deficit.

Public grants continue to represent the largest source of income and was 53% of total income in 2013-14. However, the composition of these public grants has changed from 83% in 2012-13 being ERDF to only 43% in 2013-14, although as previously explained this was a year of transition.

Membership income is a key component of income but also demonstrates, very tangibly, the level of engagement and support of the private sector and others. This is the second full year of operation since the LEP was formed and membership income has not only remained constant and therefore provides a reliable source of funds, but at £874k was higher in 2013-14 than the previous year.

In 2013-14, the LEP began its three year programme of supporting SMEs via the Regional Growth Fund, managed by the Department of Business, Innovation and Skills. This provides grants to SMEs to support schemes that encourage job creation or safeguarding. The terms of the grant also allow the LEP to utilise a proportion of this grant over three years for the administration of the scheme. This and government funding to support the LEP's core activities and to develop its strategy meant that the LEP's total funding from central government was £1,054k. This compares against £316k in 2012-13.

As stated the company has adapted to its changing environment and sources of funding and most directly through its staffing. The company's payroll decreased from 48 to 40 over the year as it restructured the company to reduce central roles to allow more to be directed towards delivery functions. As a result, payroll costs did reduce by £119k between balance sheet dates.

Whilst the LEP operates as a company with its own employees, who provide much of its support mechanisms, it is augmented by resources from partners such as local authorities and members. The balance sheet would have changed little between 2012-13 and 2013-14 were it not for the RGF receipts that increase both cash and creditors by £1,054k and also the charges arising from the exceptional items.

Recent reports, reviews and announcements by Government and opposition suggest the existence of LEPs as an intermediate entity between Government and 'localities' seems assured. What exact role is performed by LEPs is for local determination guided by the expectations of Government as set out in the White Paper. In LCR the Combined Authority has made it clear, through a 'protocol', that the LEP has primary responsibility in all matters pertaining to economic development. The way in which the LEP will be supported in order that it has both capacity and capability in this role is being considered by the Combined Authority. However, membership is seen to be both more relevant in terms of proving financial support but also in ensuring the LEP remains independent and business facing.

4 Financial risk management objectives and policies

LCRLEP is a not-for-profit organisation and the majority of its income is by way of grant received in arrears. Opportunities to generate reserves and cash are limited and careful management of working capital is essential. Regular reports on working capital are provided to the directors to allow them to discharge their responsibilities with regard to the liquidity of the company. In addition, an Audit and Risk Committee, which is chaired by a board member

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2014

who is not the Chairman of the Board, meets regularly during the year and considers matters with regard to systems of financial and risk control.

5. Risks and uncertainties

As a non-profit making body, LCRLEP maximises the use of income to support its activities. Many of these activities are funded by government and European grants which have a finite lifespan and can give rise to risk and uncertainties regarding continuity of funding. Grants are awarded against discrete programmes and the current European programme allowed projects to be awarded between 2007 and 2013. The grants awarded provide funding up until 30 June 2015 and a new programme launching in 2014 and running until 2020 provide further opportunity. The company will consider whether this provides an appropriate source of funds to support future activities. UK Government support of LEPs has been through discrete grants and these have been provided for 2014-15 but are less certain after that period during which there will be a General Election.

Transitioning from The Mersey Partnership on 16 March 2012, the LCRLEP inherited and continues to operate its business model, membership provides it with a significant source of income other than grants, equivalent to 26% of total income in 2013-14. Although the financial support from members has been maintained since the transition, the company's activities require constant review to continue to encourage the members to support the company. The members are actively engaged in the company's business throughout the year through a system of direct relationship management and regular members' events that promote the company's achievements to current and prospective members.

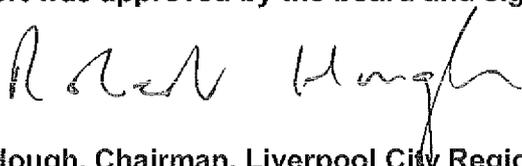
53% of the company's income in 2013-14 was derived from grant funding from central government and European sources. The majority of this grant income supports specific operational projects under which the company is contracted to perform a number of deliverables. These grant contracts allow financial penalties to be imposed for non-compliance, or under achievement. The company manages this risk by undertaking a rigorous internal sign-off procedure for grant claims, maintaining staff knowledge of up to date grant regimes and holding regular reviews of contract performance.

Many of the grants that support operational projects reimburse a proportion of costs that have been expended prior to claim. The company therefore relies on existing cash reserves to support its current commitments and the interim period between initial defrayment and reimbursement. Liquidity management is a key concern for the company and is reviewed regularly.

6 Auditor

BDO LLP will be proposed for re-appointment at the Annual General Meeting. The directors' report was prepared under the special provision for small companies under part 15 of The Companies Act 2006.

The report was approved by the board and signed on its behalf by:

 4 September 2014

Robert Hough, Chairman, Liverpool City Region Local Enterprise Partnership

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)]. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The director's responsibility also extends to the ongoing integrity of the financial statements contained therein.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

We have audited the financial statements of Liverpool City Region Local Enterprise Partnership for the year ended 31 March 2014 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP
Brian Ricketts (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Liverpool, UK

11 September 2014
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2014

	Notes	2014 £	2013 £
Subscriptions, sponsorships and other income receivable		1,566,887	2,103,514
Grant income receivable		1,660,827	1,879,286
Exceptional item	2	117,307	-
Total income	3	3,345,021	3,982,800
Core activities and project costs		(2,773,375)	(3,356,435)
Administrative expenses		(597,783)	(588,064)
Operating (deficit) / surplus on ordinary activities	5	(26,137)	38,301
Interest receivable and similar income	6	625	730
(Deficit) / Surplus for the year before taxation		(25,512)	39,031
Taxation	7	-	(146)
(Deficit) / Surplus for the year after taxation	15	(25,512)	38,885

All amounts relate to continuing activities.

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 13 to 19 form part of these financial statements.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

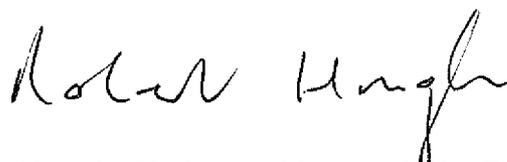
BALANCE SHEET

AT 31 MARCH 2014

	Notes	2014		2013	
		£	£	£	£
Fixed Assets					
Tangible assets	8		8,530		17,966
Investments	9		3		3
			<u>8,533</u>		<u>17,969</u>
Current Assets					
Debtors	10	2,074,706		2,571,336	
Cash at bank and in hand		1,784,566		558,934	
		<u>3,859,272</u>		<u>3,130,270</u>	
Creditors – amounts falling due within one year	11	(3,117,448)		(2,372,370)	
Net current assets			<u>741,824</u>		<u>757,900</u>
Total assets less current liabilities			<u>750,357</u>		<u>775,869</u>
Creditors: amounts falling due after one year	12		-		-
			<u>750,357</u>		<u>775,869</u>
Represented by:					
Accumulated surplus	15		<u>750,357</u>		<u>775,869</u>

The notes on pages 13 to 19 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by:



Robert Hough, Chairman, Liverpool City Region Local Enterprise Partnership
Company Number 2753023

4 September 2014

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2014

	Notes	2014		2013
		£	£	£
Operating activities				
Net cash inflow from operating activities	16	1,227,531		15,175
Returns on investment and servicing of finance				
Interest received		625	730	
Net cash inflow from returns on investment and servicing of finance		<u>625</u>	<u>730</u>	730
Taxation				
Payment of corporation tax		<u>(146)</u>	-	-
Capital expenditure and Investments				
Payments to acquire tangible fixed assets		<u>(2,378)</u>	<u>(6,066)</u>	(6,066)
		(2,378)		
Increase in cash	17	<u>1,225,632</u>	<u>9,839</u>	

The notes on pages 13 to 19 form part of these financial statements.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

1 ACCOUNTING POLICIES

1.1 Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Income, expenditure and grant policies

Due to the nature of the company's activities, the directors consider that it would be inappropriate to present the income and expenditure account in either of the standard formats recognised by the Companies Act 2006. The format adopted has been selected as it presents the categories of income and expenditure in the detail required by the members of the company.

Income receivable including grants, which excludes value added tax, is credited to the income and expenditure account according to the period to which it relates, the deferred element being shown in creditors.

European grant and income receivable from government departments is credited to the income and expenditure account in proportion to the expenditure for the period to which it relates. The company provides for the potential cost of repaying some of the grant it has received for previous years.

LCRLEP acts as the accountable body and receives and pays out grant, on receipt of grant claims, from claimants. The grants received and the grants paid to these claimants are not shown in the income and expenditure account, however any associated debtors and creditors in respect of these are shown in the balance sheet.

1.3 Consolidation

The company is exempt under Section 402 of the Companies Act 2006 from the requirement to prepare group accounts by virtue of the fact that its subsidiaries are dormant and excluded from consolidation. The accounts present information about it as an individual undertaking and not about its group.

1.4 Tangible fixed assets

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, over the expected useful life. The basis of calculation is:-

- Office alterations and furniture -15 percent straight line per annum
- Computers and equipment -33 1/3 percent straight line per annum

1.5 Operating leases

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

1.6 Investments

Investments are stated at the lower of cost and net realisable value.

1.7 Pension scheme arrangements

The company contributes to individual personal pension arrangements in respect of its full time employees. The company provides no other post retirement benefits to its employees.

1.8 Reserves

The company has approved a policy to increase revenue reserves and cash balances in the medium term. This is to recognise the increase in the remit and scale of the organisation over recent years.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

2 EXCEPTIONAL ITEM

This item is the net effect of two unrelated ERDF grant accounting adjustments in respect of the 2000-06 and 2007-13 programmes which are exceptional in not representing transactions relating to operational activities during 2013-14 and also due to their size.

Grant repayment provision

Part of the company's business is delivery of ERDF projects and the nature of ERDF rules and their interpretation by both the EU and UK government means there is always a need to review the possibility of claw-back. As such the company constantly reassesses the likelihood of any retrospective claw-back on programmes. Provision for possible claw-back of ERDF grant for the 2000-06 programme had been reassessed and increased over recent years based on experience of actual claw back suffered following government audits. Advice provided by the Department for Communities and Local Government as to the current status of this programme and the remote nature of any further claw-back means that the provision is no longer required and as such has been released in the accounts at 31 March 2014.

Accrued income for overhead recovery

The second part of the adjustment relates to accrued income for the overhead recovery element of the 2007-13 ERDF programme.

In prior years grant debtors included accrued income for overhead recovery claimed in line with the original agreed criteria. With the knowledge that revised guidance had been issued during the life of a number of projects and was applied retrospectively, a contingent liability was also disclosed relating to this matter, the effect of which was to reduce the value of overhead costs that could be claimed.

The company, working with the Department for Communities and Local Government, has exhausted all practical routes of appeal and review to collect the related grant debtor and has provided for non recovery in full in these accounts. The exceptional item reflects the value of transactions included in the accounts of prior years and any accrued income relating to 2013-14 has been released against 'Grant income receivable'.

	2014	2013
	£	£
Grant repayment provision released	484,646	-
Release accrued income on overhead recovery	<u>(368,339)</u>	-
	<u>117,307</u>	<u>-</u>

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

3 INCOME RECEIVABLE

This consists entirely of income arising in the United Kingdom.

4 EMPLOYEE INFORMATION

	2014	2013
The average weekly number of persons employed by the company was:	40	48

Staff costs of the above were as follows:-

	2014	2013
	£	£
Wages and salaries	1,406,529	1,510,199
Social security costs	131,114	138,624
Other pension costs (see note 13)	65,439	73,537
	<u>1,603,082</u>	<u>1,722,360</u>

5 OPERATING (DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES

	2014	2013
	£	£
Operating (deficit) / surplus on ordinary activities is stated after charging:		
Depreciation of tangible owned fixed assets	11,814	24,930
Auditor's remuneration		
Statutory services	13,115	10,300
Other services	6,750	-
Other lease rentals – land and buildings	68,265	83,832

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2014	2013
	£	£
Bank interest	625	730
	<u>625</u>	<u>730</u>

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

7 TAXATION

The company was established for non-profit making purposes and HM Revenue and Customs have accepted this status.

	2014	2013
	£	£
UK Corporation tax charge on profit for the year	-	146
Adjustments in respect of prior periods	-	-
Tax on profit	<u>-</u>	<u>146</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 – lower than) the standard rate of corporation tax in the UK of 20 % (2013 – 20%). The differences are explained below:

	2014	2013
	£	£
(Deficit) / surplus on ordinary activities before tax	(25,512)	39,031
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013-20%)	(5,102)	7,806
Effects of:		
Expenses not taxable for tax purposes	8,806	17,516
Adjustment to tax charge in respect of prior periods	-	-
Capital allowances in excess of depreciation	(10,686)	(14,180)
Other short term timing differences	-	-
Utilisation of tax losses	6,982	(10,996)
Unrelieved tax losses and other deductions in the period	<u>-</u>	<u>-</u>
	<u>-</u>	<u>146</u>

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

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8 TANGIBLE FIXED ASSETS

	Computers / Equipment	Office Alterations / Furniture	Total
Cost	£	£	£
As at 1 April 2013	813,239	380,830	1,194,069
Additions	2,378	-	2,378
At 31 March 2014	<u>815,617</u>	<u>380,830</u>	<u>1,196,447</u>
Accumulated depreciation			
As at 1 April 2013	795,273	380,830	1,176,103
Charge for year	11,814	-	11,814
At 31 March 2014	<u>807,087</u>	<u>380,830</u>	<u>1,187,917</u>
Net book value as at 31 March 2014	<u>8,530</u>	<u>-</u>	<u>8,530</u>
Net book value as at 31 March 2013	<u>17,966</u>	<u>-</u>	<u>17,966</u>

9 INVESTMENTS

The company has two wholly owned subsidiaries, Merseyside Tourism & Conference Bureau Limited and Visit Liverpool Limited, both companies incorporated in England. At 31 March 2014 the share capital and reserves of these companies was £2 (2013:£2) and £1 (2013:£1) respectively. The companies were dormant throughout the year ended 31 March 2014.

10 DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£
Trade debtors	538,650	618,947
Prepayments and accrued income	152,822	165,034
Other debtors	1,383,234	1,787,355
	<u>2,074,706</u>	<u>2,571,336</u>

11 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£
Trade creditors	147,000	241,619
Accruals and deferred income	931,453	913,729
Other creditors	1,894,029	1,121,011
Other taxes and social security	144,966	95,865
Corporation tax	-	146
	<u>3,117,448</u>	<u>2,372,370</u>

12 CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	2014	2013
	£	£
Accruals and deferred income	<u>-</u>	<u>-</u>

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

13 PENSION OBLIGATIONS

The company contributes to individual personal pension policies in respect of its employees.

14 COMMITMENTS UNDER OPERATING LEASES

	2014	2013
	£	£
At 31 March 2014, the company had annual commitments under non-cancellable operating leases as follows:-		

Expiring within 1 year:

Office buildings	51,199	-
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Expiring between 2 to 5 years:

Office buildings	-	85,331
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These relate to a rental contract for 12 Princes Parade with Peel Estates.

15 RECONCILIATION OF MOVEMENT IN RESERVES

	2014	2013
	£	£
Accumulated surplus:		
Opening balance	775,869	736,984
(Deficit) / surplus for the year	<u>(25,512)</u>	<u>38,885</u>
Closing balance	<u>750,357</u>	<u>775,869</u>

16 RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2014	2013
	£	£
Operating (deficit) / surplus	(26,138)	38,301
Depreciation	11,814	24,930
Decrease / (increase) in debtors	496,629	(281,519)
Increase in creditors	<u>745,225</u>	<u>233,463</u>
Net cash inflow / (outflow) from operating activities	<u>1,227,531</u>	<u>15,175</u>

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014	2013
	£	£
Increase cash in the year	1,225,632	9,839
Net fund as at 1 April 2013	<u>558,934</u>	<u>549,095</u>
Net fund at 31 March 2014	<u>1,784,566</u>	<u>558,934</u>

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

18 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2013	Cashflow	At 31 March 2014
	£	£	£
Net cash:			
Cash in hand and at bank	<u>558,934</u>	<u>1,225,632</u>	<u>1,784,566</u>

19 RELATED PARTY TRANSACTIONS

The directors include employees of organisations that are members or otherwise related to the company. They receive no remuneration from Liverpool City Region Local Enterprise Partnership, other than that shown at note 4. There are arms length transactions between the company and these organisations and these relationships are not regarded as being related parties. A cross guarantee is in place with National Westminster Bank plc dated 1999 between the previous Merseyside Partnership, now Liverpool City Region Local Enterprise Partnership, and Merseyside Tourism and Conference Bureau Ltd.

20 CONTINGENT LIABILITY

As highlighted in note 2, the contingent liability disclosed in prior years is now realised and accordingly the accounts are adjusted both for the effect in 2013-14 and also any accrued income in prior years.

There are inherent risks associated with the management of ERDF projects and on occasions these come to light as technical adjustments some time later. Claims are made retrospectively and audits of projects can take place many months after a claim is paid and certainly much later than the transaction is recorded in the accounts. This means that the existence of any claw-back, and the final decision to exercise a penalty and its amount can become known across different financial years. Further, the value of the penalty is not necessarily the value of the transaction and nor is there a formula that can be used to estimate its value. Taking all of these factors together, there is such a level of inherent uncertainty that it is not possible to be certain if any provision for claw-back is necessary, or its quantum, until formal notification has taken place. On this basis the directors of the company consider there are no possible contingent liabilities at 31 March 2014.