

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

Company Number 02753023

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

ANNUAL REPORT

YEAR ENDED 31 MARCH 2018

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LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2018

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

Legal form and principal activity

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

In March 2012, at a Special General Meeting, the company adopted new Articles of Association and adopted a name change to Liverpool City Region Local Enterprise Partnership. Both resolutions reflected the acceptance of a revised and enhanced role for the company to support newly created public: private partnerships, Local Enterprise Partnerships (LEPs), designed to stimulate economic growth in their localities.

In November 2015, further change occurred creating a clear partition between the governance of the company and the LEP Partnership Board, which is an unincorporated partnership. The partition change is designed to avoid any actual or perceived conflicts of interest.

The company, incorporated in England, is limited by guarantee of its members and does not have any share capital. The company operates as a not for profit entity and has one wholly owned subsidiary, Visit Liverpool Limited, also incorporated in England and which was dormant throughout the year ended 31 March 2018. During the year, the company's registered office changed from 12 Princes Parade, Liverpool, L3 1BG to 1 Mann Island, Liverpool, L3 1BP.

The LEP Company receives direct support, including financial, through its Partnership scheme which includes around 460 entities from all sectors of the economy ranging from restaurants and hotels to multi-national manufacturers. Among these, are all of the 6 constituent local authorities that comprise Liverpool City Region.

The Company Directors are taken from the Members of the LEP Partnership Board and comprise an ex-officio representative of the Local Authorities alongside up to five co-opted Directors from the private sector LEP Partnership Board Members. None of the LEP Company Board Directors are remunerated in this capacity.

Directors

The directors of the company during the year and since the year end were:

	Appointed	Resigned
Mr Neil Sturmey	26-Jan-10	04-Jul-18
Cllr Phillip Davies	21-May-12	
Mr Chris Bliss	19-Sep-13	05-Oct-17
Ms Amanda Lyne	21-Apr-16	
Mr Chris Fry	04-Jul-18	
<i>Company Secretary</i>		
Matthew Noon	25-Sep-15	

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DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2018

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of Liverpool City Region Local Enterprise Partnership.

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.

Role and Business model

Since March 2012, the role of LEPs has changed and, in particular, through Local Growth Deals that provide devolved funds to LEP areas. In addition, the local government of the Liverpool City Region has been augmented by the formation of the Liverpool City Region Combined Authority (LCRCA) who through a Devolution Deal has installed an elected Metro Mayor alongside devolved funds. The LCRCA acts as the Accountable Body for funds allocated to the LCR LEP Partnership Board as well as other directly allocated funds. The financial decisions over the allocation of these funds is taken by the LCR CA and not the LEP Partnership Board who provide strategic advice and guidance.

The LCR LEP Partnership Board, as an unincorporated partnership, has no direct control over the company but the company provides executive support to the LCR LEP Partnership Board alongside other delivery activities. In this role the Company can enter into contracts (for example for grant funding or for contracts of employment) that the unincorporated LEP Partnership Board is unable to do. The LEP Partnership Board provides a collaborative platform for the private and public sectors, alongside others such as Higher Education and Third Sector, to promote economic growth in the Liverpool City Region (LCR) but it does not make financial decisions nor award funds nor perform any direct delivery.

In addition to grants, the company receives financial support through its Partnership scheme which includes around 400 entities from the Visitor Economy sector, through a share of the tourism and conference membership scheme as well as a corporate scheme attracting support from all sectors of the local economy. Among these, are all of the 6 constituent local authorities that comprise Liverpool City Region.

The Company Board is taken from the Members of the LEP Partnership Board and comprises an ex-officio nominated representative of the Local Authorities alongside up to five co-opted Directors from the private sector LEP Board Members. They oversee the operation of the company in the delivery of activities to support economic growth and the development of economic strategy focused on pre-determined 'Key Growth Sectors', and also, thematically, in such as business support. As members of the LEP Board, they can ensure the actions of the company are in support of the LEP Board's goals.

The key growth sectors, each of which has a sub-board that reports to the main LEP board, advises on sector specific strategies and opportunities for growth. This also provides the structure for the company's executive, an Enterprise Advisory Board performs a similar function in respect of business growth.

The continuation of this model is subject to further review as a consequence of the publication of a Government Ministerial Review, "Strengthening Local Enterprise Partnerships", this is covered later.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2018

Financial Performance

The company realised a deficit of £290K which was a deliberate action in the utilisation of accumulated surpluses. Staffing and activity levels were maintained at levels not supported by grants and other sources of funding but that ensured continuity whilst the company rationalised delivery activities alongside the evolving LCR CA executive functions.

Following on from last year's £82k deficit, this means that reserves have reduced by £372k on the balance at 31 March 2016. However, the remaining balance of £350k at 31 March 2018 is sufficient to fund immediate unforeseen risks inherent in the business model, such as grant clawbacks. Business planning for 2018-19 forecasts a stabilisation of the company's position with a small surplus of £15k at 31 March 2019. The company does not plan to repeat the use of reserves in 2018-19 and there will be a return to a reliance on grant funding by both the EU and UK Government.

As stated, the deficit was planned and was budgeted at the beginning of the year. This was tactical, in part relating to supporting activities that aligned the company with the regional strategic goals of the LCR CA and the Metro Mayor's manifesto commitments that aligned with the LEP's strategic vision. Although not resulting in immediate additional funding, the company's support of the LCR CA's strategic initiatives, such as the Tidal Energy and Digital Infrastructure, confirm its relevance and the importance of the capabilities it harnesses through its executive and the expert advisory boards that they support.

The level of total income reduced by £344k on 2016-17 with most of this in grant funds (£226k). Nevertheless, at £1,923m or 67% of all income grant funding remains significant and maintains the same ratio of grant:non-grant income of 67:33 that was realised in 2016-17. However, within grant income there has been a shift from EU to UK Government and local grant funding with 67% (£1,297k) of total grant income in 2017-18 deriving from this source compared to 60% (£1,289k) in 2016-17. Whilst non-EU grant remained at the same levels, EU funds reduced by £233k in the same period driving this proportionate change.

Although proportionately smaller, EU funds are still a significant source of funds at 22% of total income (£626k). In addition, the contractual obligation for EU funds to be matched with domestically sourced income meant that the gross expenditure supported through these funds in 2017-18 was £994k or 31% of total expenditure. Comparative figures for the prior year show a higher value of EU grant (£860k) and proportionately higher at 27% of total income supporting a greater percentage of total expenditure equivalent to 35% (£1,149k) of total expenditure.

Whereas, total income reduced by £344k, and in particular EU grant by £233k, the level of expenditure on core or project activities only reduced by £175k. At the same time, 'Administrative expenses' increased by £38k which reflected one-off costs for the company to relocate to Mann Island to co-locate with the evolving LCR CA Executive. The net effect of these changes was to worsen this year's trading position by £208k but whilst maintaining staff and activity levels to provide continuity and funded by previously accumulated surpluses.

Since 2012, the Company has performed a dual role primarily to support the LEP Board in discharging its responsibilities and accountability and providing tactical interventions to stimulate local growth in the absence of any other entities operating at the scale of the city-region. The evolution of the LCR CA has caused these roles to be further considered and now further in the light of the Government's recent review of LEPs ('Strengthening Local Enterprise Partnerships', these are covered later.

The fusion of these roles is seen to be effective and the governance partition in 2015 removes the potential for conflicts of interest. Nevertheless, other earlier reviews by Government (the Ney Review) led to the publication of a LEP Best Practice guidance that places a greater responsibility and emphasis

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DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2018

on transparency in the governance and use of funds awarded to LEPs. Although the company does not receive funds directly from Government in respect of its support of the LEP Board the LCR CA does receive these on behalf of the LEP Board as their accountable body. Some of these are awarded to the company under local grant arrangements but these are restricted to revenue funds and exclude the Local Growth Funds that the LCR CA administers directly on behalf of the LEP Board.

To provide greater transparency over the funds that the company has received that were awarded to the LEP the Directors' Report includes additional information on the value and use of these funds alongside other sources of funding which together allow the company to discharge its dual role.

The 'LEP Core activities' are funded by awards made to the LEP and cover LEP Board support, support to the LCR CA, the provision of a Local Growth Hub and associated Careers Hub services. The direct support of the LEP Board and LCR CA is enhanced and extended by the provision of advisory boards either focused on the growth sectors or thematically and these are supported by dedicated executive leads employed by the company.

This role is enhanced by 'Local Delivery Activities' delivered through discrete projects bid for and awarded alongside other LCR partners by such as ERDF. These are supported by central functions such as finance, communications and IT etc. The following table shows the income that supported LEP Core Activities and Local Delivery Activities in the year:

	Income £'k						
	Grant				Partner Contributions	Other	TOTAL
	EU	UK	LCR CA	Total			
LEP Core activities							
LEP Core		500		500	250		750
Growth Hub		451		451			451
Careers & Enterprise		142		142			142
Subtotal		1,093		1,093	250		1,343
Local Delivery activities							
ESIF Projects	626			626			626
UK Government Commissions		100		100			100
LCR CA Commissions			104	104			104
Match and discretionary					429	275	704
Subtotal	626	100	104	830	429	275	1,533
TOTAL	626	1,193	104	1,923	679	275	2,877

Domestic grants consist of national grants from UK Government grants and local grants by LCR CA. The UK Government grants include the following grants;

National Awards to LEPs

- a. LEP Core funding £500k annual grant to provide capacity and capability;

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DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2018

- b. Local Growth Hub £451k annual grant providing SME business support in the Liverpool City Region through local district-based partner hubs;
- c. Dept of Education (via Careers and Enterprise Company) £143k annual grant to support skills development in LCR schools and colleges in line with local employer needs.

Local Delivery contracts/awards

- d. Department for Environment, Food and Rural Affairs (DEFRA multi-year award £15k claimed in 2017-18 - Leader Programme (administration of capital grant scheme to LCR rural businesses – transferred to Combined Authority 31 October 2017);
- e. Department for International Trade (DiT) multi year award £85k claimed in 2017-18 - Key Account Management (investor development programme, engaging with foreign-owned business in LCR).

The company also received grants from LCR CA not from funds awarded to the LEP but commissioning activity from which the LEP and LCR CA would benefit, they were;

- f. Internationalisation Strategy £100k grant with £54k utilisation in 2017-18 - development of a strategy to assist LCR businesses access international markets and improve inward investment offer of LCR;
- g. Digital Connectivity £50k grant with £33k utilisation in 2017-18 - identification of the LCR's digital infrastructure to inform next-stage development).

Risks and uncertainties

The company identifies risks it faces and the mitigations it may adopt to reduce them, these are recorded in a risk register. Given the close association between the company and the LEP Board risks are identified for both the company and the LEP more widely. The categories of risk are;

Governance and legal;
Reputational;
Financial; and
Delivery and systems.

Governance and legal risks have become more widespread through the standards that are being introduced by Government through such as the LEP Best Practice Guidance. However, this is more about impact than likelihood which is remote and is reduced further by the inclusion of more transparency on such as the use of funds as above. Any LEP falling below the standards would not only be subject to penalties but would suffer reputational damage. The LEP, and by association the company, have passed compliance checks by Government that led to confirmation of funding for 2018-19.

Most of the company's risk and uncertainty is more operational and relates to grant income that is 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 regarding the liquidity of the company. The Company Directors have financial oversight role over the company which extends to Risk as well as considering contracts of high value.

As a non-profit making body, the company maximises the use of income and any accumulated surpluses to support its activities. Many of these activities are also funded by Government and European grants which have a finite lifespan and can give rise to risk and uncertainties regarding continuity of funding. Many of the grants that support projects reimburse a proportion of costs that have been expended prior to claim. The company relies on existing cash reserves to support its ongoing

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DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 MARCH 2018

commitments together with those on the project in the period between defrayal and reimbursement. Liquidity management is therefore essential and is reviewed regularly and reported regularly.

Grant contracts allow financial penalties to be imposed for non-compliance, or under achievement. These are indefinite events and cannot be crystallised as either a creditor or provision and so represent a contingent liability. 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. As Accountable Body for these projects, the Combined Authority performs an additional level of audit before final submission of grant claims to managing authorities.

Future developments and going concern

The company operates in an extremely dynamic environment which is heavily influenced by central government policy and emerging policy and execution of the evolving LCR CA. The company is at the centre of a number of local policy initiatives and has embedded staff in the LCR CA policy team to provide more direct support on policy initiatives as previously mentioned.

It was previously mentioned that Government undertook a Ministerial level review that was published in July 2018 titled 'Strengthening Local Enterprise Partnerships'. The conclusion of the review was to confirm that LEPs are pivotal in driving economic growth and their roles are to be strengthened. However, the price of this is to regularise them with a set of guidelines to inform their form and function. These are set out as recommendations in the review and all LEPs are required to implement these changes and advise Government by 31 October 2018 on how this is to be achieved.

The directors of the company have considered the impact of the Ministerial review on its current operating model and future budgets and have been in discussion with the LEP Board and CA. The conclusion of the directors is that although there will be changes, on the basis of the information currently available, these do not impact on the going concern status of the company. The response to Government on the LEP Review will confirm the continuing role of the company but will also make possible an extension of its role.

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:

Director of Liverpool City Region Local Enterprise Partnership

Date:

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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 profit or loss 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 directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

Opinion

We have audited the financial statements of Liverpool City Region Local Enterprise Partnership (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, including the directors' report and, in doing so, consider whether the other information

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

is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Liverpool, UK

Date:

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

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
Incoming Resources			
Subscriptions, sponsorships and other income receivable		953,731	1,072,032
Grant income receivable		1,922,967	2,148,981
Total income		2,876,699	3,221,013
Resources expended			
Core activities and project costs		(2,511,705)	(2,686,957)
Administrative expenses		(655,423)	(617,582)
Operating (Deficit) on ordinary activities	4	(290,429)	(83,526)
Interest receivable and similar income	5	90	1,292
(Deficit) for the year before taxation		(290,339)	(82,234)
Taxation	6	-	-
Surplus/(deficit) and comprehensive income for the year		(290,339)	(82,234)

All amounts relate to continuing activities.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2018

	2018	2017
	£	£
Balance at beginning of the year	640,682	722,916
(Deficit) and comprehensive income for the year	(290,339)	(82,234)
Balance at end of the year	350,343	640,682

The notes on pages 13 to 21 form part of these financial statements.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
Fixed Assets					
Tangible assets	7		19,993		32,874
Investments	8		1		1
			<u>19,994</u>		<u>32,875</u>
Current Assets					
Debtors	9	1,026,707		1,442,669	
Cash at bank and in hand		<u>141,212</u>		<u>126,066</u>	
		1,167,919		1,568,735	
Creditors – amounts falling due within one year	10	<u>(837,570)</u>		<u>(960,928)</u>	
Net current assets			<u>330,349</u>		<u>607,807</u>
Total assets less current liabilities					
Net assets			<u>350,343</u>		<u>640,682</u>
Represented by:					
Accumulated surplus	15		<u>350,343</u>		<u>640,682</u>

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

Christopher Fry,
Director of Liverpool City Region Local Enterprise Partnership, Company Number 02753023

Date:

The notes on pages 13 to 21 form part of these financial statements.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2018

		2018 £	2017 £
Cash flows from operating activities			
(Deficit) for the financial year		(290,339)	(82,234)
Depreciation of tangible assets	7	16,782	14,172
Interest and rent received	5	(90)	(1,292)
Taxation expense	6	-	-
(Increase) / decrease in trade and other debtors	9	415,962	(48,762)
(Decrease) in trade and other creditors	10	(123,358)	(146,571)
Loss / (Profit) on disposal		(1,468)	(50)
Cash from operations		17,489	(264,737)
Taxation paid		-	(987)
Net cash (used) from operating activities		17,489	(265,724)
Cash flows from investing activities			
Profit on disposal of tangible assets		1,468	50
Purchases of tangible assets	7	(3,901)	(42,892)
Interest and rent received	5	90	1,292
Net cash from investing activities		(2,343)	(41,600)
Net (decrease) / increase in cash and cash equivalents		15,146	(307,274)
Cash and cash equivalents at the beginning of year		126,066	433,340
Cash and cash equivalents at end of the year		141,212	126,066

The notes on pages 13 to 21 form part of these financial statements.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

1 ACCOUNTING POLICIES

1.1 Basis of accounting

Liverpool City Region Local Enterprise Partnership is a private company limited by guarantee incorporated in England & Wales under the Companies Act. The address of the registered office and the nature of the company's operations and its principal activities are set out in the directors' report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The financial statements have been prepared on a historical cost basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies (see note 2). The following accounting policies have been applied:

1.2 Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements

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 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 statement of comprehensive income 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. Grants are accounted under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors. Commitments to organisations that apply for financial support are recognised at the point that the commitment is made, rather than relating it to the timing of the underlying commercial contract for which funding to the organisation is provided.

On occasion, the 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 statement of comprehensive income, however any associated debtors and creditors in respect of these are shown in the Statement of Financial Position. The LCRLEP is not presently the Accountable Body for any grants and so no transactions of this nature are included in the accounts for this financial year. In addition, and although not acting in the capacity of Accountable Body, the LEP does make other grant payments to claimants which are included in the Statement of Comprehensive Income.

1.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

1.5 Tangible fixed assets - continued

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last statement of financial position / balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income

1.6 Investments

Investments in unlisted company shares, which have been classified as fixed asset investments as the company intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.10 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.

1.11 Holiday pay accruals

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

1.12 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the statement of financial position date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.13 Leases

The company has no assets which are financed by leasing agreements that give rights approximating to ownership ('finance leases').

As such, all leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

The benefits of lease incentives received on entering into new leases are spread over the lease term.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

1.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Debtors are provided against when there is objective evidence that the debt will not be recoverable.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 7)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

3 EMPLOYEE INFORMATION

	2018 No.	2017 No.
The average weekly number of persons (expressed on count of position basis) employed by the company was:	35	38
	2018 No.	2017 No.
The average weekly number of persons (expressed at full-time equivalent basis) employed by the company was:	31.72	33.23
Wages and salaries	1,279,673	1,257,518
Social security costs	127,109	112,976
Other pension costs (see note 12)	104,814	106,376
	<u>1,511,596</u>	<u>1,476,870</u>

The above includes key management personnel comprising 3 (2017:3) directors and senior managers who together have authority and responsibility for planning, directing and controlling the activities of the entity. The total compensation paid to key management personnel for services provided to the company was £303,327 (2017: £273,053).

4 OPERATING SURPLUS/DEFICIT ON ORDINARY ACTIVITIES

	2018 £	2017 £
Operating surplus/deficit on ordinary activities is stated after charging:		
Depreciation of tangible owned fixed assets	16,782	13,382
Auditor's remuneration		
Statutory services	13,000	11,790
Other services	9,688	1,800
Other lease rentals – land and buildings	117,192	124,981
	<u>166,662</u>	<u>151,953</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Bank interest	90	692
Rental income	-	600
	<u>90</u>	<u>1,292</u>

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

6 TAXATION

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

	2018	2017
	£	£
UK Corporation tax charge on profit for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 – higher than) the standard rate of corporation tax in the UK of 19% (2017 20%). The differences are explained below:

	2018	2017
	£	£
Surplus / (deficit) on ordinary activities before tax	(290,339)	(82,234)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017-20%)	(55,164)	(16,447)
Effects of:		
Expenses and income not taxable for tax purposes	48,550	11,190
Fixed asset differences	19,737	12,873
Adjust opening deferred tax to average rate of 19%	(7,836)	7,186
Adjust closing deferred tax to average rate of 19%	6,455	(11,923)
Deferred tax not recognised	(11,742)	(2,890)
Other tax adjustments	-	11
	<u>-</u>	<u>-</u>

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

7 TANGIBLE FIXED ASSETS

	Computers & Equipment £	Office Alterations / Furniture £	Total £
Cost			
As at 1 April 2017	861,564	381,754	1,243,318
Additions	4,023	-	4,023
Disposals	(806,912)	(380,831)	(1,187,743)
At 31 March 2018	58,675	923	59,598
Accumulated depreciation			
As at 1 April 2017	829,372	381,072	1,210,444
Charge for year	16,644	138	16,782
Disposals	(806,789)	(380,831)	(1,187,620)
At 31 March 2018	39,227	379	39,606
Net book value as at 31 March 2018	19,449	544	19,992
Net book value as at 31 March 2017	32,192	682	32,874

8 INVESTMENTS

The company has a wholly owned subsidiary Visit Liverpool Limited, this company is incorporated in England. At 31 March 2018, the share capital and reserves of this company was £1 (2017: £1). The company was dormant throughout the year ended 31 March 2018.

The principal undertakings in which the company's interest at the year-end is 20% or more are as follows:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>			
Visit Liverpool Limited	England*	100% Ordinary	Dormant company

* The registered office is the same as Liverpool City Region Local Enterprise Partnership which is noted in the directors' report

9 DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade debtors	263,418	204,498
Prepayments and accrued income	104,917	190,597
Other debtors	658,372	1,047,574
	1,026,707	1,442,669

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

10 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade creditors	115,110	193,599
Accruals and deferred income	644,026	567,300
Other creditors	10,061	132,474
Other taxes and social security	68,373	67,555
Corporation tax	-	-
	<u>837,570</u>	<u>960,928</u>

There are no amounts included under 'creditors' which are payable or repayable other than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following reporting date. There are no amounts included under 'creditors' in respect of which any security has been given by the company.

11 PENSION OBLIGATIONS

The company fulfils its obligations to staff under The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010.

12 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2018, the company had total future minimum commitment under non-cancellable operating leases as follows:

	2018	2017
	£	£
Not later than one year:		
Office buildings	-	78,272

These relate to a rental contract for 12 Princes Parade with Peel Estates. The company relocated to 1 Mann Island in July 2017 under license.

13 FINANCIAL INSTRUMENTS

	2018	2017
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>1,115,657</u>	<u>1,453,487</u>
	<u>1,115,657</u>	<u>1,453,487</u>
	2018	2017
	£	£
Financial liabilities		
Financial liabilities measured at amortised cost	<u>410,668</u>	<u>566,501</u>
	<u>410,668</u>	<u>566,501</u>

Financial assets measured at amortised cost comprise cash, trade debtors, accrued income and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and other creditors.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

14 RELATED PARTY TRANSACTIONS

The details of related party transactions that occurred in the year are as follows:

Cllr Phil Davies (Director, Liverpool City Region LEP)

Leader, Wirral Metropolitan Borough Council (WMBC) – a Local Authority member of the LEP and client for economic data-modelling. Total income derived from WMBC in year to 31 March 2018 £55,772 (2017: £47,213). £0 was owed to LEP at 31 March 2018 (2017: £4,799).

Mersey Maritime Group Ltd (Co-Optee). £0 (2017: £233) paid by LEP in the year for event costs. £0 was owed by LEP at 31 March 2018 (2017: £0).

Neil Sturmeay (Director, Liverpool City Region LEP)

Partner, Grant Thornton UK LLP. Total fees paid to Grant Thornton in the year were £13,750 (2017: £13,551) for access to an economic data modelling tool and venue hire, of which £0 was outstanding at 31 March 2018 (2017: £0).

Mark Basnett (Managing Director, Liverpool City Region LEP)

Remuneration by LEP as disclosed as part of note 4 of the accounts.

Non-exec director fee and membership charged by LEP to Merseyside Special Investment Fund (MSIF) Ltd. Total of £13,250 in year to 31 March 2018 (2017: £17,500), of which £0 was outstanding at 31 March 2018 (2017: £2,400).

Paula Basnett, spouse of Mark Basnett, is the Chief Executive of Wirral Chamber of Commerce. Wirral Chamber of Commerce receives funding from the LEP in respect of its Growth Hub and Careers and Enterprise grants. Total of £68,106 in year to 31 March 2018 (2017: £73,830), of which £0 was outstanding at 31 March 2017 (2017: £9,999).

Amanda Lyne (Director, Liverpool City Region LEP)

Amanda Lyne was a named consultant on a supply contract with Burgundy Gold Ltd to provide support to the company on the low carbon portfolio in 2015-16. No fees were paid to Burgundy Gold Ltd during the year (2017: £0) and there was no outstanding balance at the year-end (2017: £0).

No member of the LEP Partnership Board is considered to be a related party.

15 RESERVES

The company's reserves are as follows:

Statement of Comprehensive Income account

The Statement of Comprehensive Income account represents cumulative surpluses or deficits, net of dividends paid and other adjustments.

16 CONTROLLING PARTY

There are no individuals or entities that control the company.