

## Financial Report

Month Ended 31<sup>st</sup> July 2020

### Income and Expenditure

A summary of the income and expenditure account is presented below. This is presented in a new format for the LEP legal entity compared to previous reports. In addition to reporting the legal entity and to bringing more visibility of the “Enterprise” the cash balances, and related transactions, of the key investment funds are shown separately. The one word of caution is that typically those funds have existing commitments yet to be paid such that the reported closing balance should not be viewed as funds “available” for new projects.

<b>SUMMARY OF 2020-21 FUNDING (YTD JULY 2020)</b>					
<b>£'000</b>	<b>LEP ORGANISATION</b>		<b>INVESTMENT FUNDS</b>		
	Core Activity	Delivery Programmes	Local Growth	Growing Places	Retained Business Rates
<b>Opening Balance</b>			<b>3,999</b>	<b>3,282</b>	<b>796</b>
Resources Receivable:					
Central Government	170	227	16,603		
Central Government NP11		79			
Local Authorities incl. Business Rates	239	83			
Investment Loans Repaid				203	
LEP Borrowing					
Other	149	10			
Resources Expended:					
Infrastructure Projects		(107)	(5,941)	(76)	(15)
Skills & Education		(144)	(238)		
Business Growth & Support		(114)			
Northern Powerhouse 11		(79)			
Strategy, Planning and Operations	(597)				
<b>Closing Balance</b>	<b>(39)</b>	<b>(45)</b>	<b>14,423</b>	<b>3,409</b>	<b>781</b>

A more detailed analysis is provided at Appendix A.

### Four Months to 31<sup>st</sup> July 2020/2021

YTD shows an operating deficit of £84k, consisting of a deficit of £39k on core activities and of £45k on programmes. The deficit on core activities is not a concern but for reasons explained later in this report the deficit on programmes may not be fully recoverable.

Income for core activities, which is for the most part “guaranteed” income allocation, is taken to resources received in 12 equal instalments over the course of the year. Many of the expenditure items relating to the core activity, the largest being staff salaries, also tend to be roughly equal each month. However, discretionary spending fluctuates from month to month and some additional expenditures have been incurred disproportionately early in the year, leading to the deficit. Most notable are additional consultancy fees from retaining the services of Andy Farrall, and website re-development costs.

For the delivery programmes, some are funded in advance, with cash received by Cheshire East, our accountable body, and only drawn as income into the LEP against expenditure as it is incurred. For other programmes, e.g. the Pledge, Accelerate and the Growth Hub, claims are submitted to funders in arrears and income is accrued as expenditure is incurred. In either case, income and expenditure

typically match. However, in programme delivery, there are two programmes presently reporting deficits between income and expenditure.

Accelerate is reporting a deficit of £24k. The funding of this programme is derived from a combination of course fees and ESF match. The element of income from course fees is dependent on the programme achieving the planned number of learners and the course value and, if this was happening, income would be accrued. However, Covid-19 has caused a delay in recruitment of learners and the income element from course fees cannot presently be relied on. While numbers (and expected income) may recover, for the time being we are only reporting the ESF element as income which only covers 40-50% of the LEP costs of delivery.

The EZ Programme is reporting a deficit of £21k. Additional consulting and professional expenses have been incurred developing projects for investment. These will be funded in due course from retained business rates.

### Full Year Forecast

The full year forecast out turn has been updated since the completion of the July management accounts.

The LEP forecast for the year is a deficit of £100k, which will pass to general reserves. A deficit of £50k is forecast for core activities and £50k for programmes.

In estimating the out turn, we expect core income and expenditure to be broadly in line for the remainder of the year as those costs incurred in the first four months, referred to above, will not continue. For programme costs, we anticipate a deficit for Accelerate. Expenditure on the programme has been scaled back from £200k to £100k and with ESF funding expected to cover 50%, a deficit of £50k is forecast.

### **Impact on Reserves**

The current and forecast deficit have the effect of reducing the level of general reserve held within the legal entity of the LEP, and to a level below the “target” of £300k. The table below shows the movement in the reserve:

	<b>YTD £'000</b>	<b>Forecast £'000</b>	<b>Budget £'000</b>	<b>Variance £'000</b>
<b>Opening Reserves at 1/4/20</b>	<b>296</b>	<b>296</b>	<b>276</b>	<b>20</b>
Operating Surplus/(Deficit)	(84)	(100)	0	(100)
<b>Closing Reserves at 31/3/21</b>	<b>212</b>	<b>196</b>	<b>276</b>	<b>(80)</b>

However, our policy on reserves provides that the level of reserve balances within the retained business rates is also taken into account and where at the end of July the cash balance is £781k. More information on the retained business rates is provided later in this report.

### **Investment Funds**

#### Local Growth Fund

2020/21 is the final year of the current fund and contracts have been issued for investments to fully utilise the fund by March 2021. Two thirds of this year’s funding have been received with a further tranche of £8M due in the Autumn.

### Growing Places Fund

The current cash balance of £3.4M is, until the EZ loans are finalised, fully committed. Of the fund £5.9M has been temporarily lent for EZ projects and £1.7M is committed to complete those investments. A further £1.2M is set aside for the development of business cases and £0.5M has been paid out in August in the form of Business Restructuring Grants. When the EZ loans are in place and drawn, the available GPF balance will increase by £7.6M.

The outstanding loan to Cheshire Green is now in its repayment phase, receipts occurring as and when plots are sold on. £203k has been received this year so far.

### Retained Business Rates (Enterprise Zone)

Since the start of the financial year, only £15k cash has been utilised to pay towards legal costs in connection with the EZ loan facility. However, further draw down of funds is expected to meet the full legal and arrangement fees of the loan. In addition, draw down is earmarked for LA subscriptions, programme costs and £600k of support towards course costs within Accelerate. These are presently being “cash-flowed” from other resources within the LEP.

The table below provides an indication of how the fund is being utilised:

	<b>Forecast £'000</b>	<b>Budget £'000</b>	<b>Variance £'000</b>
<b>Opening Balance at 1/4/20</b>	<b>796</b>	<b>737</b>	<b>59</b>
Receipts	0	0	0
Arrangement fee EZ loan / Legal	(15)	0	(15)
<b>Closing Balance at 31/7/20</b>	<b>781</b>	<b>737</b>	<b>44</b>
Expected receipts	1436	1436	0
Deferred Liabilities on EZ funds:			
EZ Local Authority “Match”	(125)	(125)	0
Drawn by LEP (Core/programme)	(653)	(653)	0
LEP Core Programmes (Board approved)	(280)	(500)	220
Accelerate Grant	(600)	0	(600)
Arrangement fee EZ loan / Legal	(75)	0	(75)
<b>Imputed Balance at 31/3/20</b>	<b>484</b>	<b>895</b>	<b>(411)</b>

Note: The table above does not include draw down from the EZ loan facility, which will be reported separately as and when it is available.

**Ian Brooks**

**Finance and Commercial Director**

**August 2020**

## Appendix A

### Summary of Management Accounts

£'000	Actual	Budget	Variance	Annual	Current
	YTD	YTD	YTD	Budget	Forecast
<b>Core Activity</b>					
Core Income	524	499	25	1497	1482
Core Expenditure:					
Staff	-334	-324	-10	-973	-980
Non-Staff	-228	-191	-37	-574	-602
Core Projects Income (LIS, Strategy)	35	83	-49	250	250
EZ Transfer for Grants / Core Projects	30	167	-137	500	880
Core Projects Expenditure	-65	-233	169	-700	-480
Grants	0	0	0	0	-600
<b>Sub-Total Core</b>	<b>-39</b>	<b>0</b>	<b>-39</b>	<b>0</b>	<b>-50</b>
<b>Programmes</b>					
DiT Income	20	23	-2	68	68
DiT Expenditure	-20	-23	2	-68	-68
Digital Skills Partnership/SAP Income	18	50	-32	150	150
Digital Skills Partnership/SAP Expenditure	-18	-50	32	-150	-150
Growth Hub Income	94	96	-2	287	462
Growth Hub Expenditure	-94	-96	2	-287	-462
The Pledge Income (in. kickstart and CEC)	95	71	24	212	212
The Pledge Expenditure	-95	-71	-24	-212	-212
Accelerate Income	10	67	-57	200	50
Accelerate Expenditure	-31	-67	36	-200	-100
Enterprise Zone Income	53	62	-8	185	185
Enterprise Zone Expenditure	-77	-62	-15	-185	-185
<b>Sub-Total Programmes</b>	<b>-45</b>	<b>0</b>	<b>-45</b>	<b>0</b>	<b>-50</b>
<b>Total Operating LEP Surplus/(Deficit) =</b>	<b>-84</b>	<b>0</b>	<b>-84</b>	<b>0</b>	<b>-100</b>
Interest Payable	0	0	0	0	0
<b>Total LEP Surplus/(Deficit) =</b>	<b>-84</b>	<b>0</b>	<b>-84</b>	<b>0</b>	<b>-100</b>
NP11 Income	79	207	-127	620	520
NP11 Expenditure	-79	-207	127	-620	-520