



Cheshire and Warrington Enterprise Partnership Finance & Audit Committee Board Meeting Minutes

15th December, 2020 by Teleconference

Present:

Stephen Kinsey (Chair), Chris Hindley

In attendance:

Ian Brooks, Alex Thompson (CEC), Mike Benson (Murray Smith), Nicola Tucker (Murray Smith), David Rees (CEC)

Apologies:

Philip Cox, Michael Todd (CEC)

PART A – Public Session

Agenda Item 1: Apologies and Introductions

1.1 SK welcomed members and attendees to Committee meeting. He thanked CH for chairing recent meetings. Apologies were noted as above.

Agenda Item 2: Conflicts of Interest

2.1 No conflicts of interest were declared in relation to Agenda Items.

Agenda Item 3: Minutes of the Meeting 9th September 2020

3.1 The minutes were accepted.

3.2 SK had ratified the decisions proposed in the meeting by correspondence.

Agenda Item 4: Actions and Matters Arising

4.1 IB provided a verbal update regarding cyber security. An independent party had been engaged to test the firewalls, scan the dark web for possible data breaches, and test organisational susceptibility towards phishing emails. The firewall demonstrated a high level of security, a few instances were identified of information on the dark web (and action has been taken) and there was one individual who mistook the phishing email as genuine. To further our understanding of the knowledge base within the LEP all employees have been asked to complete a cyber quiz, which may point to some training needs once the results are analysed.

Agenda Item 5: Review of Management Accounts for 30/11/2020 and full year forecast

5.1 IB gave a summary of the year to date accounts to November 30th and explained that the deficit incurred in the early part of the year for core activities has reduced and the position is essentially balanced.

5.2 The committee noted the deficit on the Accelerate project had increased to £37k (from £24k) and is forecast to reach £60k for the full year. IB confirmed that there is a high degree of confidence in this estimate; it reflects the current cost base which is essentially two members of staff. A review of the project has been carried out by Mickledore and the report is presently under consideration by the Accelerate Governance board.

5.3 Accelerate aside, the forecast out turn for the year has improved, from an overall deficit of £100k to a surplus of £191k. Several additional income streams have been announced in the past few months, and those which are not subject to firm conditions of use, will be taken to income and lead to a surplus for the full year. However, those funds will then need to be spent during 2021-22.

5.4 The committee noted the report and the forecast out turn.

Agenda Item 6: Review of Programme Funds

6.1 The current cash position (at October) for the programme funds was noted. With the exception of Growing Places Fund, commitments have been made which are expected to fully use available balances by the 31st March 2021.

6.2 CH asked if, with the reduced volume of activity on Accelerate, we would see a reduction in the amount spent on grants paid from retained business rates to support learners. IB said that because the amount had been approved by the board and reported in press releases, it was prudent to show the full commitment even though it may take longer for the grants to be paid out.

6.3 In noting that the forecast balance for retained business rates (EZ) was £4k, SK asked when we expected the fund to replenish. IB referred to the cash flow forecast for the EZ which anticipates a recovery to £310k in the year 2021-22, explaining that business rate income is not usually received by the LEP until November each year and that some downside risk remains, because final VOA valuations have yet to be determined. In addition, for 2021-22 if surpluses are achieved, IB also expects that Local Authorities will want to see them retained to provide some reserve for loan repayments which will commence in 2022-23.

Agenda Item 7: Accounting for the Life Sciences Fund

7.1 IB presented a paper explaining the background to the Life Sciences Fund, its' omission from the LEP accounts and the way forward to correct the statutory annual accounts. The committee agreed the LEP share of the fund should be included in the accounts and the approach to achieving it.

7.2 The committee recognised that, in so far as reporting the matter to the board, the inclusion of the fund was largely a presentational issue. CH thought the committee paper provided a clear explanation and the basis for a paper to the board but recommended some simplification and focus on the balance sheet entries. AT suggested the board paper included a proforma balance sheet before and after the inclusion Life Sciences Fund to illustrate the changes. IB will prepare the paper for inclusion at a future board meeting.

ACTION IB

7.3 The fact that the LEP received a grant and has invested it into the fund would not, in the short term, provide additional resources for the LEP. However, as the fund investments are sold and (hopefully) profits realised, the LEP will face choices as to what to do with any amounts received after any tax liabilities have been met.

PART B

Agenda Item 8: Draft Budget 2021-22

8.1 IB explained that the LEP is presently preparing budgets in a rather uncertain environment. Detailed confirmation of budgets has not yet been issued by MHCLG/BEIS, though we expect the allocation for core activities to remain the same as 2020-21. 2021-22 is expected to be a transition year, one in which the LEP has significantly less volume of capital funds to administer but is called upon to provide more support to businesses recovering from Covid-19 and adapting to EU Exit.

8.2 Early indications are that additional base line funding can be expected towards the Growth Hub, cementing some of the supplementary grants received during 2020-21. Further funds may be allocated during the year once a clearer understanding emerges for the business support needed in a post EU exit environment.

8.3 The committee noted that the current scenario projected a budget deficit for the LEP, which would require the use of reserves, specifically those created by income received in 2020-21. In addition, some discretionary expenditure budgets would need to be set at lower levels than has been the case in the past.

8.4 AT drew the committee's attention to a minor discrepancy in the opening reserves compared with the previous paper on forecast out turn of 2020-21. This has arisen due to timing differences between the preparation of the two papers. The higher figure of £487k shown in the latest forecast, £23k above the figure in the budget paper, was prepared after the budget paper, and is therefore a small improvement.

8.5 Further iterations of the budget will be prepared and will be presented to the board for approval latest in March 2021.

ACTION IB

8.6 The committee also discussed the provisional Marketing Cheshire budget for 2021-22, which also projected a deficit, based on some cautious assumptions for commercial income. AT commented that the budget needed to be set in such a way that achieving it would be recognised as a success, and that the current scenario did not meet this objective. He also cautioned the committee that the Local Authorities would expect service levels to be achieved for the funding they were providing. IB confirmed that the budget required further refinement to better reflect the expected out-turn.

ACTION IB

PART A

Agenda Item 9: Review of Corporate Risks

9.1 The top risks, as determined by residual risk scores, were considered by the committee. Several have direct financial impacts should they materialise. SK referred to the previous action to include cyber security on the risks register. IB confirmed that the risk is on the register but that the residual score, which reflected the findings of testing, was below those of the highest remaining risks.

Agenda Item 10: Any Other Business

10.1 DR provided a short verbal update on progress with the internal audit plan. He explained that internal audit work had included certification for Growth Hub grant claims, ongoing work to support the s151 officer sign off for compliance with the Local Assurance Framework and some project testing. Overall, he was confident with the progress against the annual plan.

10.2 SK invited comments regarding the composition of the committee and the opportunity afforded by the current board recruitment campaign. There was agreement that, while financial expertise and scrutiny is provided to the committee by the s151 officer and representatives of internal and external audit, the board, and the F&A committee, would benefit from recruiting someone with a financial qualification to fill the current vacancy on the committee.

10.3 Dates of meetings were agreed, all 3pm-5pm.

Tuesday 16th March, 2021

Tuesday 29th June, 2021

Tuesday 14th September 2021

Tuesday, 14th December 2021

Invitations will be sent out by IB.

ACTION IB

Date of Next Meeting

16th March 2021, either Wyvern House or by Teleconference.

DRAFT