

Agenda Item 5

Paper for Finance and Audit Committee 15/12/2020

Financial Report - Month Ended 30th November 2020

Income and Expenditure

A summary of the income and expenditure account is presented below. In addition to reporting the legal entity, to bring 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.

SUMMARY OF 2020-21 FUNDING (YTD NOV 2020)						
£'000	LEP ORGANISATION		INVESTMENT FUNDS			
	Core Activity	Delivery Programmes	Local Growth	Getting Building Fund	Growing Places	Retained Business Rates
Opening Balance			3,999	0	3,282	796
Resources Receivable:						
Central Government	346	533	26,192	7,795		
Central Government NP11		215				
Local Authorities incl. Business Rates	479	322				
Investment Loans Repaid					203	
LEP Borrowing						
Other	263	25				
Resources Expended:						
Infrastructure Projects		(322)	(7,575)	(200)	(1,722)	(275)
Skills & Education		(309)	(2,108)			
Business Growth & Support		(286)				
Northern Powerhouse 11		(215)				
Strategy, Planning and Operations	(1,091)					
Closing Balance	(3)	(37)	20,508	7,595	1,763	521

A more detailed analysis is provided at Appendix A.

Eight Months to 30th November 2020/2021

YTD shows an operating deficit of £40k, consisting of a deficit of £3k on core activities and of £37k 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. The deficit reported earlier in the year for core activities, which arose due to timing differences, has reduced as expected.

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 both cases, income and expenditure typically match. However, in programme delivery, the deficit of £37k relates to the Accelerate programme, and which is expected to increase to £60k by the year end.

As explained in the previous report to the committee, 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.

Full Year Forecast

The full year forecast out turn was updated in October. The previous forecast in July estimated a deficit of £100k, £50k for core activities and £50k for programmes. The latest estimate is for a surplus of £191k comprising a surplus of £251k for the core and a deficit of £60k for programmes, the deficit for Accelerate.

The “turnaround” from deficit to surplus on the core has arisen for several reasons:

- We will receive £75k management fee for the Getting Building Fund.
- We will receive £50k income from Local Resilience Forum funding towards a temporary post, of which only £20k will be spent in 2020-21.
- An increase in supplementary revenue grant has been included to recognise that when the EZ loan drawdowns repay the Growing Places Fund, GPF also records an interest income.
- There is a small increase in the LGF management fee, agreed with MHCLG.
- Additional growth hub funding has been received amounting to approximately £400k. In order to resource the activities requested by BEIS, some of that funding is being used towards staff temporarily reallocated to the Growth Hub from other LEP and Marketing activities. The effect is to lower the proportion of staff cost carried by the core, while remaining balanced in the growth hub programme.

Impact on Operating Reserves

The forecast surplus has the effect of increasing the level of operational reserves held within the legal entity of the LEP, safely above the “target” of £300k. The table below shows the movement in the reserve:

	YTD £'000	Forecast £'000	Budget £'000	Variance £'000
Opening Reserves at 1/4/20	296	296	276	20
Operating Surplus/(Deficit)	(84)	191	0	191
Closing Reserves at 31/3/21	212	487	276	211

However, the reserve is inflated by income, of £105k received and recognised in the accounts in 2020-21 which is earmarked to pay for expenses in 2021-22.

Investment Funds

A separate report has been issued covering the investment funds.

Ian Brooks

Finance and Commercial Director

December 2020

Appendix A

Summary of Management Accounts November 2020

£'000	Actual	Budget	Variance	Annual	Current
	YTD	YTD	YTD	Budget	Forecast
Core Activity					
Core Income	1040	998	42	1497	1829
Core Expenditure:					
Staff	-592	-649	56	-973	-985
Non-Staff	-426	-383	-43	-574	-593
Core Projects Income (LIS, Strategy)	75	167	-92	250	140
EZ Transfer for Grants / Core Projects	118	333	-215	500	880
Core Projects Expenditure	-181	-467	285	-700	-420
Grants	-11	0	-11	0	-600
Sub-Total Core	22	0	22	0	251
Programmes					
DiT Income	41	45	-4	68	68
DiT Expenditure	-41	-45	4	-68	-68
Digital Skills Partnership/SAP Income	48	100	-52	150	150
Digital Skills Partnership/SAP Expenditure	-48	-100	52	-150	-150
Growth Hub Income	245	191	53	287	696
Growth Hub Expenditure	-245	-191	-53	-287	-696
The Pledge Income (in. kickstart and CEC)	199	141	57	212	212
The Pledge Expenditure	-199	-141	-57	-212	-212
Accelerate Income	25	133	-108	200	40
Accelerate Expenditure	-62	-133	72	-200	-100
Enterprise Zone Income	204	123	81	185	300
Enterprise Zone Expenditure	-204	-123	-81	-185	-300
Sub-Total Programmes	-37	0	-37	0	-60
Total Operating LEP Surplus/(Deficit) =	-15	0	-15	0	191
NP11 Income	215	413	-198	620	520
NP11 Expenditure	-215	-413	198	-620	-520