

Agenda Item 5

Paper for Finance and Audit Committee 16/03/2021

Financial Report - Month Ended 31st January 2021

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 JAN 2021)						
£'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	467	715	26,192	7,795		
Central Government NP11		313				
Local Authorities incl. Business Rates	598	413				682
Investment Loans Repaid					4,076	
LEP Borrowing						4,013
Other	463	28				
Resources Expended:						
Infrastructure Projects		(386)	(13,987)	(200)	(1,326)	(631)
Skills & Education		(424)	(4,266)			
Business Growth & Support		(386)			(1,200)	
Northern Powerhouse 11		(313)				
Strategy, Planning and Operations	(1,287)					
Closing Balance	241	(40)	11,938	7,595	4,832	4,860

A more detailed analysis is provided at Appendix A.

Ten Months to 31st January 2021

YTD shows an operating surplus of £201k, consisting of a surplus of £241k on core activities and a deficit of £40k on programmes.

The surplus on core activities has been driven by several factors. The reimbursement of GPF funding used temporarily to finance EZ investment agreements included an element of interest which has been recognised in the LEP accounts as supplementary revenue grant. That together with the interest element on GPF loan repayments by Cheshire Green has caused year to date supplementary revenue grant income on all capital funds to reach £222k compared to a budget figure £100k. Interest and the grant associated with it is “one-off” in nature. The LEP has also recognised £52k of management fees for the Getting Building Fund allocation. There have been minimal additional costs this year associated with that programme. Finally, following the LEP receiving additional funds into the Growth Hub in Q3 and Q4, the LEP chose to increase the proportion of staff time (and draw on some Marketing Cheshire resource) in support of the associated programmes (Peer to Peer, EU transition) the costs for which are being charged to the programme. This avoid delay in delivering the programme objectives, and short term contracts for temporary staff. The effect is to reduce the cost burden on core funds.

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 £40k relates to the Accelerate programme. The rate of increase in the deficit for Accelerate has slowed because we are using some of the brokers time to cover Growth Hub delivery.

The LEP also set out within its budget for the year to spend £500k on projects funded from the retained business rates, that budget earmarked as £400k for business cases and £100k towards place marketing. During the year, the make up of that budget changed. The business case funding was transferred to GPF, and £600k was made available for grants to support learners undertaking training through the Accelerate programme. Grants are paid at the end of the training, so while the uptake to fund courses has made progress and will eventually reach the total, cash payment of grant to the end of January had achieved £28k. Expenditure has progressed on Place Marketing and approximately £70k towards procurement costs to find a partner at Thornton Science Park, bringing year to date project spending to £206k. Income is drawn from the EZ to match expenditure.

Full Year Forecast

The full year forecast out turn was updated in February and over the course of the year the out turn has moved from a deficit of £100k to the latest estimate of a surplus of £295k. The original budget was balanced. The latest estimate comprises a surplus of £355k for the core and a deficit of £60k for Accelerate. All other programmes are balanced, but it is perhaps worth noting that the scale of the Pledge has increased from £212k to £313k and the EZ programme has increased in costs from £185k to £300, incurring additional professional fees in support of Growth Corridors.

As explained above, 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.
- 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.

On the expenses side, overall costs are expected to out turn below the budget. The largest contributor is the underspend on staff cost, but 2020-21 has been a strange year where several cost categories have not followed the budgeted path. Significant underspends will result on Travel and related costs and Recruitment and Training. For recruitment, we have moved away from using consultants in favour of self-run campaigns and social media advertising. Savings have in part been offset by increased consultancy, including early in the year Andy Farrall, for Marketing and Public Relations where we have used an external agency since a member of staff resigned and IT, which included some transition costs to our new operating environment.

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)	201	295	0	295
Closing Reserves at 31/3/21	497	591	276	315

While the level of reserves at the year-end is reassuring, it is affected by recognising income received during 2020-21 which is earmarked to pay for expenses in 2021-22. In addition, some sources of funding achieved in 2020-21, such as management fees for the LGF programme and supplementary revenue grants will not be repeated next year and the reserves will ensure we can maintain capacity.

Investment Funds

A separate report has been issued covering the investment funds.

Ian Brooks

Finance and Commercial Director

March 2021

Appendix A

Summary of Management Accounts 31st January 2021

£'000	Actual	Budget	Variance	Annual	Current
	YTD	YTD	YTD	Budget	Forecast
Core Activity					
Core Income	1453	1247	206	1497	1836
Core Expenditure:					
Staff	-697	-811	114	-973	-850
Non-Staff	-515	-478	-37	-574	-631
Core Projects Income (LIS, Strategy)	75	208	-134	250	140
EZ Transfer for Grants / Core Projects	206	417	-210	500	250
Core Projects Expenditure	-253	-583	330	-700	-340
Grants	-28	0	-28	0	-50
Sub-Total Core	241	0	241	0	355
Programmes					
DiT Income	52	57	-5	68	68
DiT Expenditure	-52	-57	5	-68	-68
Digital Skills Partnership/SAP Income	73	125	-52	150	150
Digital Skills Partnership/SAP Expenditure	-73	-125	52	-150	-150
Growth Hub Income	334	239	95	287	696
Growth Hub Expenditure	-334	-239	-95	-287	-696
The Pledge Income (in. kickstart and CEC)	256	177	79	212	313
The Pledge Expenditure	-256	-177	-79	-212	-313
Accelerate Income	28	167	-139	200	40
Accelerate Expenditure	-68	-167	99	-200	-100
Enterprise Zone Income	207	154	53	185	300
Enterprise Zone Expenditure	-207	-154	-53	-185	-300
Sub-Total Programmes	-40	0	-40	0	-60
Total Operating LEP Surplus/(Deficit) =	201	0	201	0	295
NP11 Income	313	517	-204	620	520
NP11 Expenditure	-313	-517	204	-620	-520