

## **AGENDA ITEM 6**

### **PAPER FOR THE FINANCE AND AUDIT COMMITTEE 15/12/2020**

#### **OVERVIEW OF PROGRAMME FUNDS**

##### Introduction

Committee members will be aware that the LEP oversees and administers several programme funds but that the funds are held on the LEPs behalf by the accountable body, Cheshire East Borough Council. The LEP approves the projects and programme manages the funds, the majority of which are paid directly to project applicants by CEC and do not pass through the LEP operating company accounts. However, we include them when discussing the LEP as an enterprise.

Papers on the management accounts also refer to these funds and the purpose of this paper is to provide further insights into the financial position of each of the funds. The paper reports on the cash or forecast cash position in the funds.

Appendix 1 shows the financial position of each of the funds.

##### Local Growth Fund

The Local Growth Fund is in its final year and we have a target to spend £24.8M in 2020-21. Claims from applicants run ahead of the cash disbursement and, by the end of October £9.7M had been paid. The claimed total exceeds £13M and we are on track to fully spend the LGF by 31<sup>st</sup> March 2021.

##### Getting Building Fund

This fund was introduced by Government in 2020-21, in two tranches, the first of which has been received towards three schemes in the sub-region. The full allocation for 2020-21 of £7.7M is expected to be spent by 31<sup>st</sup> March 2021.

##### Growing Places Fund

GPF has been used to provide a loan of £3.6M to support the development of the Cheshire Green industrial park. In 2020-21 we have continued to receive repayments as plots within the park are sold. The disposals are expected to continue with the loan due for repayment by September 2022.

Temporary funding of EZ projects was provided by GPF and now that the EZ loan facilities are in place the funds are being drawn from the loans to repay the GPF. In the meantime, responding to Covid-19 during 2020-21, the LEP Board agreed to two phases of business restructuring grants paid from GPF and to use GPF, rather than EZ retained business rates, to support the development of business cases.

GPF was initially funded with £12.1M which after the grants and business case costs are deducted, leaves a fund of £9.7M, of which £3M remains lent. Hence a closing balance of £6.7M. There are several potential investment opportunities for those funds arising to support recovery from Covid-19.

##### Enterprise Zone Retained Business Rates

The turn of events during 2020-21 has had a marked impact compared to the plan for Retained Business Rates. Income has fallen below expectation by £380k, while investment of the funds has increased by almost £600k. Additional investment has taken the form of increased consultant fees

to support investment into new projects and to develop proposals for the Growth Corridor. Having “freed” up funds by switching the costs of business case preparation to GPF, £600k was committed as grant to the support of the Accelerate Skills programme. These responses have as at the 31<sup>st</sup> March 2021, left the available EZ balance close to being exhausted and which will need to rebuild over 2021-22 and 2022-23.

The outlook for EZ retained business rates is predicated on the new projects coming on stream which have been financed by the EZ loans arranged with the Local Authorities. Drawdowns begin in 2020 and interest accrues in 2020-21 and 2021-22 before repayments commence in 2022-2023. Appendix 2, provides a summary of the expected annual cash flows and on which transfers to for the operating company for 2021-22 budgets will be based. The current assumptions used to prepare the table will be kept under review. Valuations which underpin the expected business rates income remain to be completed by the VOA, and each project will need to be updated as each valuation is completed. The recent budget reduced the PWLB interest rates by 1% which is not yet reflected in the interest charges. This will not reduce the expected repayments but instead the interest element thereby hastening the repayment of the loans. The benefit will therefore appear in the latter years of the programme.

## Appendix 1

| <b>Cheshire &amp; Warrington Local Enterprise Partnership</b> |                               |                   |                 |
|---|-------------------------------|-------------------|-----------------|
|   |                               | <b>01/10/2020</b> | <b>2020/21</b>  |
|   |                               | <b>Forecast</b>   | <b>Budget</b>   |
|   |                               |                   | <b>+/-</b>      |
| <b>Funds held by CEC £000</b>                                 |                               |                   |                 |
| <b>Local Growth Fund Capital</b>                              |                               |                   |                 |
|   | Opening Balance               | <b>3,999</b>      | <b>0</b>        |
|   | Receipts                      | <b>26,192</b>     | <b>24,800</b>   |
|   | Payments (Enter as -ve)       | <b>(30,191)</b>   | <b>(24,800)</b> |
|   | Closing Balance               | <b>0</b>          | <b>0</b>        |
| <b>Get Building Fund Capital</b>                              |                               |                   |                 |
|   | Opening Balance               | <b>0</b>          | <b>0</b>        |
|   | Receipts                      | <b>7,750</b>      | <b>0</b>        |
|   | Payments (Enter as -ve)       | <b>(7,750)</b>    | <b>0</b>        |
|   | Closing Balance               | <b>0</b>          | <b>0</b>        |
| <b>Growing Places Fund Capital</b>                            |                               |                   |                 |
|   | Opening Balance               | <b>3,485</b>      | <b>3,485</b>    |
|   | Receipts                      | <b>6,063</b>      | <b>7,820</b>    |
|   | Cheshire Green                | 203               | 203             |
|   | CEC EZ Loan                   | 2,726             | 3,873           |
|   | CWaC EZ Loan                  | 3,134             | 3,744           |
|   | Payments (enter as -ve)       | <b>(2,850)</b>    | <b>(1,757)</b>  |
|   | EZ Agreements                 | 0                 | (1,757)         |
|   | Business Restructuring Grants | (1,650)           |                 |
|   | Transport Business Cases      | (1,200)           | 0               |
|   | Closing Balance               | <b>6,698</b>      | <b>9,548</b>    |
| <b>Enterprise Zone Retained Business Rates - Resource</b>     |                               |                   |                 |
|   | Opening Balance               | <b>796</b>        | <b>737</b>      |
|   | Receipts                      | <b>1056</b>       | <b>1436</b>     |
|   | Payments (enter as -ve)       | <b>-1848</b>      | <b>-1279</b>    |
|   | LA Match                      | -125              | -125            |
|   | Programme Funds               | -300              | -185            |
|   | LEP Operations                | -468              | -469            |
|   | Accelerate Grant              | -600              | 0               |
|   | EZ Projects                   | -280              | -500            |
|   | EZ Loan Fees                  | -75               | 0               |
|   | Closing Balance               | <b>4</b>          | <b>894</b>      |

Appendix 2

| Enterprise Zone - Cash Flow |           |          |           |           |            |             |
|-----------------------------|-----------|----------|-----------|-----------|------------|-------------|
|                             | Income    | Interest | Capital   | Available | Operations | Net Balance |
| <b>Date</b>                 |           |          |           |           |            |             |
| 01-Apr-20                   |           |          |           |           |            | 796,182     |
| 01-Apr-21                   | 1,056,000 | 319,271  | -         | 1,056,000 | 1,848,600  | 3,582       |
| 01-Apr-22                   | 1,300,000 | 651,472  | -         | 1,300,000 | 993,600    | 309,982     |
| 01-Apr-23                   | 3,608,533 | 677,857  | 1,047,545 | 1,883,131 | 893,600    | 1,299,513   |
| 01-Apr-24                   | 3,608,533 | 635,431  | 1,089,971 | 1,883,131 | 893,600    | 2,289,043   |
| 01-Apr-25                   | 3,608,533 | 591,288  | 1,134,115 | 1,883,131 | 893,600    | 3,278,574   |
| 01-Apr-26                   | 3,608,533 | 545,356  | 1,180,046 | 1,883,131 | 893,600    | 4,268,104   |
| 01-Apr-27                   | 3,608,533 | 497,564  | 1,227,838 | 1,883,131 | 893,600    | 5,257,635   |
| 01-Apr-28                   | 3,608,533 | 447,837  | 1,277,566 | 1,883,131 | 893,600    | 6,247,166   |
| 01-Apr-29                   | 3,608,533 | 396,095  | 1,329,307 | 1,883,131 | 893,600    | 7,236,696   |
| 01-Apr-30                   | 3,608,533 | 342,258  | 1,383,144 | 1,883,131 | 893,600    | 8,226,227   |
| 01-Apr-31                   | 3,608,533 | 286,241  | 1,388,912 | 1,933,381 | 893,600    | 9,266,007   |
| 01-Apr-32                   | 3,608,533 | 229,990  | 1,375,812 | 2,002,731 | 893,600    | 10,375,138  |
| 01-Apr-33                   | 3,608,533 | 174,270  | 1,431,533 | 2,002,731 | 893,600    | 11,484,269  |
| 01-Apr-34                   | 3,608,533 | 116,293  | 1,394,789 | 2,097,452 | 893,600    | 12,688,120  |
| 01-Apr-35                   | 3,608,533 | 59,804   | 997,518   | 2,551,211 | 893,600    | 14,345,732  |
| 01-Apr-36                   | 3,608,533 | 19,404   | 427,218   | 3,161,911 | 893,600    | 16,614,042  |
| 01-Apr-37                   | 3,608,533 | 2,102    | 51,896    | 3,554,536 | 893,600    | 19,274,978  |
| 01-Apr-38                   | 3,608,533 | -        | -         | 3,608,533 | 893,600    | 21,989,911  |
| 01-Apr-39                   | 3,608,533 | -        | -         | 3,608,533 | 893,600    | 24,704,844  |
| 01-Apr-40                   | 3,608,533 | -        | -         | 3,608,533 | 893,600    | 27,419,777  |
| 01-Apr-41                   | 3,608,533 | -        | -         | 3,608,533 | 893,600    | 30,134,710  |