**REPORT TO CHESHIRE AND WARRINGTON LOCAL ENTERPRISE PARTNERSHIP**

**BOARD MEETING**

Subject: LEP Budget 2018/19

Author: Mark Livesey

Meeting date: 17th January 2018

**Purpose**

1. To propose a Budget for the LEP for the financial year 2018/19.

**Recommendations**

1. The Board is asked to:
* Approve the draft budget (Annex A) and note that this is currently an interim budget, simply to ensure that the LEP has an operational Budget for 2018/19, ahead of the confirmation of key central government funding.

**Background**

1. The LEP executive had hoped to be able to recommend a Budget for the next 2-3 years to the Board that captured the key priorities identified at the LEP Awayday last October. These priorities included the appointment of a Financial Director, the increased ambitions of a new Growth Hub and the ramping up of external engagement and place marketing activities. It was also agreed that a European Structural Investment Fund (ESIF) team should be put in place urgently to help develop projects to draw down the remaining £57m of European Funding.

**Discussion**

1. Following the Awayday the executive has been progressing work in those areas identified as priorities. However, despite good progress having been made, the executive is unable to propose a Budget for the medium term, in the absence of key funding confirmations from the Government.
2. While government announcements e.g. Industrial Strategy White Paper, Autumn Budget etc. have continued to emphasise the role of LEPs and the importance of Growth Hubs, we have yet to receive any confirmation as to the level of funding being made available to either or both, or indeed on the strings that may be attached to that funding. It would therefore be unwise to propose a budget for the next few years, which we may not be able to fully finance, or indeed ignored key asks of the Government.
3. A further complication has been the level of income from the Enterprise Zone. While we know that in its first year the Science Corridor has generated a little over £1m in retained business rates, just before Christmas we were told that this may fall to as low as £400,000 in the coming year. In our most recent conversation with the Business Rate team this may now be closer to £740,000. We will continue to interrogate that information and will be meeting with Cushman’s this week to secure their services to better understand the impact of both the ratings re-valuation on the baseline and the behaviours that may lead to such wide fluctuations in income e.g how empty property rate relief is being applied within the EZ. Clearly, until the income level has settled, it would be unwise to set a Budget for the medium term, particularly as that Budget will increasingly rely on EZ income, as other sources of income fall away, such as the interest received on capital funds. Annex B details the EZ income and costs to date, the latter have previously been capitalised.

**Conclusions**

1. Until the government has confirmed the level of core funding, it would not be possible to set a Budget for the next few years with any level of confidence. Similarly, until there is greater clarity around Growth Hub funding and on the EZ income position, it would be unwise to re-orientate the LEP for the longer term at this point e.g. by employing a Finance Director.
2. The Executive has therefore proposed a ‘steady state’ budget for the coming financial year and would want to come back to the Board with a longer-term budget, once the Government has confirmed the levels of core funding and the EZ income is more settled. This Budget draws from the same sources of income as in previous years and only departs from the previous year’s budget in a couple of areas. Those being:
* A small increase in remuneration costs due to the appointment of a full-time Transport Director, as already agreed by the Board, given the continued importance of transport to the sub-region. In effect this switches current consultant spend to staff remuneration.
* The remuneration costs also include the appointment of an Inward Investment officer though this is fully funded by the Department for International Trade.
* The funding of a European Structural Investment Fund team to ensure that we maximise our chances of drawing down the remaining £57m of European Funding allocated to the sub-region. Again, the Board has previously agreed that this could be drawn down from existing EZ income.

**Recommendations**

1. Given the lack of clarity around key funding areas, the Board is asked to:
* approve the attached interim Budget, which allows it to deliver current activities, along with the appointment of a Transport Director, and an ESIF team to maximise our chances of drawing down the remaining European funding.