

## **AGENDA ITEM 7**

### **PAPER FOR THE LEP BOARD 13/9/2023**

#### **FINANCIAL FORWARD LOOK 2024-25**

The board will receive separate papers at its' September meeting to approve the statutory annual accounts for 2022-23. For the board to approve the accounts, it is necessary for directors to consider the ability of the company to continue as a going concern and meet its liabilities for a period of 12 months beyond the date of signing. This requirement means the board must take a view about funding into 2024-25.

A detailed budget for 2024-25 has not yet been prepared but estimates for both the LEP and Marketing Cheshire are included in Appendix 1.

As part of the LEP transition, Local Authorities have placed considerable importance on continuing the sub-regional activities of the LEP and its programmes and given firm support to Marketing Cheshire. The LEP is also committed to providing funding to Marketing Cheshire towards its Marketing and Public Relations activities.

The estimate for the LEP assumes that the previous core funding of £250k is no longer received from Central government, instead that funding passes to Local Authorities. However, that funding is in turn invested as a Local Authority contribution toward LEP activities. The assumption is that all current programmes will continue to receive similar levels of funding in 2024-25 as they do currently.

On that basis, it is estimated that both the LEP and MC will operate at around a breakeven level for operational activity.

There are upsides and risks, so the estimates come with caveats. The LEP transition may change the dynamics of how the LEP operates and how funding is distributed. However, until there is clarity on future structures, the only reasonable assumption, based on the principles agreed by LaCE, is to continue "as-is". Funding allocations may be greater or less than the current level. Possible, upsides include larger programmes for skills bootcamps, various initiatives by DfE channelled through the Pledge, and increased funding released via North West Net Zero.

The LEP is also dependent on drawing funds from retained business rates to meet its schedule of loan repayments (£1.1M in Oct 2023, rising to £1.4M in October 2024) and thereafter to support economic policy activities, managing the EZ programme and investing in projects (£0.7-£1.0M). Retained business rates income is subject to fluctuation and risk of downturn (and has operated recently in the range of £1.5-£3.0M per annum) which in "leaner years" would reduce the amount available to the LEP. To even out fluctuation and manage the risk, a retained balance of business rates of approximately £2M has been maintained.

For Marketing Cheshire, two pieces of work are in train which are expected to offer opportunities to bolster income or deliver operational efficiency. Following the award of LVEP status, Marketing Cheshire is developing a Growth Plan and the VIC review is expected to report in the Autumn.

The LEP has an outstanding commitment of £3.75M to meet its total contribution of £5M into Life Sciences Fund 2, which, in the absence of funds becoming available from Life Sciences 1, will be met from balances held in the Growing Places Fund. The timing of calls for funding by the fund managers is uncertain and dependent on the deal flow of the fund.

## Appendix 1

<b>LEP/MC Budget 2024-25 - Departmental Analysis</b>		
	<b>LEP</b>	<b>MC</b>
	<b>LEP Total</b>	<b>MC Total</b>
<b><u>Income / Funding</u></b>		
Central Govt.	1,484,000	15,000
LA Funding (incl. Local Match)	437,500	303,900
Interest on idle funds	600,000	-
Other Funding	541,000	135,000
Retained Business Rates	1,030,000	200,000
Commercial/Partnership	-	425,000
Overhead Recovery	-	-
<b>Total Income</b>	<b>4,092,500</b>	<b>1,078,900</b>
<b><u>Expenditure</u></b>		
<b>Commissioned Activities</b>	949,958	408,000
Staff Costs	2,239,844	509,896
Salaries recovery	(47,192)	47,192
Travel and Other Staff Exp.	22,300	2,000
Training/Recruitment	30,000	3,000
<b>Staff and related costs</b>	<b>2,244,952</b>	<b>562,088</b>
Consultants	45,000	-
Marketing / PR	373,000	-
Research / Subscriptions	64,018	2,000
Rent	27,200	32,000
Office running costs / Insurance	20,500	8,500
Mobile phones	11,600	1,000
IT	55,000	66,000
<b>Operating costs</b>	<b>596,318</b>	<b>109,500</b>
Legal & Professional	147,000	1,500
Audit	10,000	5,500
Bank	300	11,000
Miscellaneous	23,637	500
Accounting Body Charge	83,000	-
Contingency	-	-
Depreciation	22,000	-
<b>Governance and overhead</b>	<b>285,937</b>	<b>18,500</b>
<b>Total Expenses</b>	<b>4,077,165</b>	<b>1,098,088</b>
<b>Surplus / (Deficit)</b>	<b>15,335</b>	<b>(19,188)</b>