**CHESHIRE AND WARRINGTON LEP**

**2016/17 BUDGET**

1. This paper presents the budget for 2016/17 for approval by the LEP Board following its approval by the Finance and Audit committee. It proposes a set of objectives and deliverables for the LEP for the financial year.

Income

1. As in previous years, BIS and DCLG have confirmed that they will provide £500,000 of core funding, and are looking to local sources to match at least £250,000 of this. All of this match has come from the local authorities, who in the past, have provided part of it “in kind” in the form of seconded staff time. Following discussions with the LA’s they have agreed that contributions in 2016/17 are entirely in cash, giving the LEP additional flexibility over the way it deploys its resources.
2. In 2015/16 the LEP made use of the considerable surpluses that had been built up during 2013/14 and 2014/15 to deliver key projects designed to put the LEP on a long term sustainable footing including setting up the accountability framework required by BIS/DCLG, developing the Local Implementation Plan for European Structural Funds, putting a strategic transport plan in place, and establishing the joint Life Science Fund. These surpluses are largely exhausted, but confirmation that LEPS will be funded until at least the end of this Parliament from BIS and DCLG has opened up other sources of funding which have been reflected in the draft budget:

Revenue from GPF: The GPF grant payments made by DCLG in 2012 included an element of revenue, designed to cover the running costs of the fund. Those costs have turned out to be lower than expected, leaving around £900,000 in the LEP’s GPF account. The LEP proposes to draw this down at the rate of £250k pa

Interest from GPF: GPF capital funding held in the LEP’s account, or on loan to developers, generates interest which the LEP can also draw down. The LEP is anticipating that this will amount to £90k in 2016/17

Interest on LGF: DCLG/BIS make LGF grant payments at the beginning of the financial year, but claims from projects are spread across the whole of the financial year, with a tendency for them to be bunched towards the end. The LEP is able to make use of the interest generated whilst this money is on deposit;

EU Technical Assistance : The EU covers around half of the costs of staff who work on the ESIF programme. This sum is included in the LEP budget, though, in practice it is likely to be claimed by CWaC and netted off the charge they levy for staff employed by the LEP via the LA.

Capitalisation of LEP Programme Management Costs: The LEP is required to provide programme management of the capital programmes funded by the Government. Other LEPs have begun to reflect the costs of this in the costs of individual projects. The LEP proposes to adopt this approach for projects coming forward in the next round of LGF bidding. There is no income from this source in 2016/17, but it is a revenue stream that will increase in future years.

Expenditure

1. The main features of the proposed budget for 2016/17 compared to 2015/16 are:

Staff Remuneration: In 2015/16, the costs of staff working for the LEP either did not appear in the budget because they were provided as a benefit “in kind” by the local authorities, included as a consultancy cost, or were included within the overall cost of the PR and communications service provided by Marketing Cheshire. The cost of these posts are now all included in staff remuneration and for the purposes of comparison are shown separately in the draft budget.

Transport Co-ordinator: During 2015/16 part of the contribution to the LEP from Cheshire East was half the time of one of their officers to provide over-sight of strategic transport issues. As a result of burgeoning work on HS2 and the Northern Gateway Development Zone, CEC have agreed to provide all of their contribution to the LEP in cash to enable the LEP to appoint a sub-regional transport co-ordinator. They would be responsible for ensuring that all of the work on transport issues across C&W is properly co-ordinated, including engagement with TfN , DfT and organisations such as the National Infrastructure Commission. The costs of this post are brigaded with the other previously uncosted posts are reflected in the draft budget.

Communications and Stakeholder Engagement: The costs of Marketing Cheshire staff deployed on stakeholder engagement are now included in staff remuneration. The remaining costs are external expenses such as the cost of events, website hosting etc.

Externally Procured Support: In 2015/16 this budget encompassed a very wide range of activity including the cost of external consultancy work to get the ESIF programme running and the cost of staff employed via Local Partnerships to establish and operate our programme management system. This work is either complete, or is now shown under staff remuneration. The remaining budget of £200,000 is to cover the costs of external consultancy for strategic development activity, for example to help with the re-write of the Strategic Economic Plan which will be necessary during 2016/17.

Business Growth Hub: The costs of the LEP’s Business Growth Hub are also met directly via grant income, and are therefore also not shown in the LEP’s budget.

Enterprise Zone: The LEP will be responsible for strategic management of the Cheshire Science Corridor Enterprise Zone. The costs incurred now will be offset against future revenue streams from Business Rates, however there is a cashflow issue in the short term to launch the Zone before any income can be derived. It is proposed to the Board that to finance these initial cashflows the LEP effectively borrow against that pension deficit that is included within the reserves.

The costs included in this budget are for the set up of the development and marketing strategy. £65,000 has been committed in the current financial year and a further £50,000 assumed in the next financial year. Any further cost commitment for example, dedicated staffing, will be looked at by the Enterprise Zone Board, and a loan may be required from the local authorities against the future income that will come from Business rates, as beyond this LEP reserves will become too low.

Reserves

1. The reserves forecast to bring forward from 2015/16 are £117k before Enterprise Zone (EZ) costs. With the EZ costs included reserves brought forward will be £52,000.

The reserves at the end of 2016/17 are budgeted to be £118k before EZ costs or £2k after EZ costs.

Whilst this is a low level of reserves there are two key points to note. Firstly, the EZ costs will be covered by future revenues from business rates in the EZ. Secondly, the pension liability of £139k is included in the reserves, with no payment required in the foreseeable future. So this is a short term issue of low reserves which does not adversely impact the cash position of the company

Objectives for 2016/17

1. The over-arching role of LEPs is to bring together local authority leaders and businesses in setting the strategic direction for the economic development of sub-regions across England. Like other LEPs, Cheshire and Warrington was asked by central Government to develop a Strategic Economic Plan, and has been given responsibility for leading the delivery of projects funded through the Government’s Local Growth Fund, European Structural Funds and for bidding for and overseeing the operation of Enterprise Zones. The Government is also keen that LEPs are at the heart of any devolution proposals, reflecting the importance it attaches to local economic development being led at sub-regional level.
2. Taking account of the over-arching role of LEPs, and the good working relationship that the LEP has developed with its constituent LAs, it is proposed to the Board that the LEP’s team of around 11 ftes should be deployed on delivering the following objectives, several of which are unavoidable:
3. Oversee the continuing successful delivery of the LEP’s portfolio of Local Growth Fund (LGF) projects and successfully bid for additional projects when the Government launches the bidding round that will allocate its remaining £4 billion. [Unavoidable]
4. Work closely with DCLG and DWP to ensure that the C&W allocation of European Structural Funds is deployed on projects that make the biggest possible contribution to the successful delivery of C&W’s strategic economic objectives. [Unavoidable]
5. Set up and successfully operate the Cheshire Science Corridor Enterprise Zone [Unavoidable]; ensure that the Science Corridor brand is exploited in a way that maximises its benefit across the whole of the sub-region. [Desirable]
6. Oversee and facilitate the operation of a Business Growth Hub that is acknowledged by C&W businesses as providing a valuable contribution to their success. [Unavoidable]
7. Ensure that Growing Places Fund is deployed in a way that provides the maximum possible benefit to C&W businesses, and that, pending its incorporation into a wider post-devolution funding system, an average of 80% is invested with businesses at any one time. [Essential]
8. Keep C&W’s Strategic Economic Plan up to date and ensure that the LEP’s resources are directed towards its key priorities, including the Mersey-Dee Economic Axis and Warrington New City. [Essential]
9. Provide strategic input into the Northern Gateway Development Zone (NGDZ), working closely with the Stoke and Staffordshire LEP and the constituent local authorities to produce a compelling and deliverable plan for growth that fully exploits the development potential of the improved connectivity offered by HS2 and, in particular, the proposed hub station at Crewe. [Essential]
10. Work with the SFA, BIS and C&W’s FE and Sixth Form colleges to help deliver an outcome from the Area Based Review that ensures that the 16+ education system will produce the skills required by the C&W economy, and help to ensure its successful implementation. [Essential]
11. Working co-operatively with the local authorities, ensure that C&W reaches a devolution agreement with the Government that offers real benefits to the C&W economy, and play a full role in implementing it. [Essential]
12. Reflecting the increasing importance of sub-regional working on strategic transport, ensure that C&W has an agreed sub-regional transport strategy in place that offers good value for money and supports the delivery of C&W’s economic objectives, provide a focal point to co-ordinate the work of the local authority transport teams and ensure that C&W engages with TfN in a way that helps the sub-region achieve its transport objectives [Essential]
13. Work co-operatively with other LEPs where this helps contribute to the economic success of C&W, for example on Atlantic Gateway, Science and Innovation Audits, and play a full part in the LEP Network. [Essential]
14. Impact of an exit from European Union. The LEP will begin contingency planning, so that if there is a vote to leave the EU i we will be able to engage quickly with DCLG and others.

We have been informed that DCLG are not preparing any contingency plans as it is not Government policy for there to be an exit from the EU.

If a vote to leave were made than there would be a two year period while negotiations were made regarding exit strategy.