

Paper for: The LEP Board

Title: Agenda Item – Budget 2022-23

Date: 18th May, 2022

Strategic Purpose: Aligning resources to priorities and funding

Resource Implications: Financial and staffing

Board: To approve budgets for 2022-23

Summary

Following papers to the board in January and March, this update of the LEP and Marketing Cheshire budgets now takes account of the most recent allocations of funding received from Government.

For the March paper we had made assumptions that Core Funding for the LEP and resources for the Growth Hub would remain at levels comparable to previous years. We had also assumed that the Skills Bootcamp funding would be £1.5M. On that basis, we had estimated a deficit of £95k for the year 2022-23. Faced with a challenging Spending Review, Government departments have now confirmed the following figures:

- A reduction of 25% to core funding and therefore also to the required local authority match.
- A 50% reduction of the Growth Hub allocation.
- Confirmation of DiT funding for only the first 6 months of 2022-23.
- Reduction in Skills Advisory Panel funding by £20k.

Skills bootcamps discussions are progressing but DfE have indicated our initial allocation will be just over £1Million, which has a knock-on effect on the scale of income achieved from overhead recovery. The cumulative effect of these revised allocations is a reduction in expected income approaching £500k.

Set against these income reductions, we have nevertheless continued to work to the previously agreed principle which retains staff and capacity for 2022-23 pending full review of the LEP and MC operations and buys time to take account of the emerging County Deal. Our latest estimate for the LEP budget is therefore a deficit of £586k.

The MC budget cannot be treated in isolation of the LEP budget given the degree to which activities are integrated across both organisations. In planning the budgets, the LEP is broadly maintaining its funding of Marketing Cheshire at 2021-22. Because of this integration, the scope of this paper also refers to Marketing Cheshire.

This latest position represents a significantly more challenging financial environment for the LEP and MC than previously anticipated. However, the increased deficit can be covered from reserves and the board should be assured that, for 2022-23, we can continue to operate with existing staff, while we carry out a deeper review of the functions and form of the LEP, the timeline and proposal for which was set out in the paper presented to the board discussion forum in April. The increased scale of the deficits does, however, increase the necessity to plan for sustainable budgets to be in place by 2023-24.

Operating Reserves

The “affordability” of the 2022-23 budget is dependent on available reserves, set aside as they are for challenging times. The table below has been updated with the estimated forecast out turns for 2021-22 and the budgets for both the LEP and MC.

	Reserves from LEP Operations	Reserves from MC Operations
As at 31/3/2021	892	247
2021-22 Forecast Surplus / (Deficit)	(116)	8
Forecast 31/3/2022	776	255
2022-23 Budget (Deficit)	(586)	(115)
Estimate 31/3/2023	190	140

LEP operating reserves increased in the year 2020-21 from £296k to £892k following the achievement of an operating surplus bolstered by recognition of various income streams (ahead of expenditure) which would then fund activities in 2021-22 and beyond, triggering deficits.

It has been policy to maintain a minimum reserve of £300k to fund an orderly sudden closedown of all activities of the LEP. On the basis that the LEP Review confirms the continued existence of LEPs, albeit with different activities and closer relationships to local authorities, the likelihood of requiring the full £300k in the short to medium term is negligible. The board may therefore be supportive of the reduced reserve position but should consider that to restore the reserves to the £300k level will require surpluses in future years.

In the full company accounts of the LEP, reserves also include those which are ring fenced and tied in with investing activities, which approach £10Million.

Marketing Cheshire has operated a policy to retain a minimum of £130k of operating reserves. The budget estimate for 2022-23 takes the company close to that figure. Marketing Cheshire’s board have yet to approve their budget (day after LEP board).

Budget 2022-23

Three appendices are attached to this paper. They set out, by each activity (department) of LEP and MC the budget for 2022-23, the estimated outturn for 2021-22, and the variance (difference) between the two. This analysis is more detailed than the board is used to receiving but, in light of the challenge, should inform and assist decision making.

Analysing the income and activities to this level of detail includes some subjectivity, e.g., whether core funding provided to the LEP from DLUHC/BEIS is entirely for policy and planning work and not for corporate governance and structures. However, the assumptions are consistent between the two periods, so the variance analysis provides reasonable insight into the changes affecting both the LEP and MC over the two years.

It will come as no surprise that the most significant adverse variances arise in the core LEP and the Growth Hub, given these have suffered the greatest reductions in income.



Cheshire and Warrington Local Enterprise Partnership

Within Marketing Cheshire, the contribution achieved by projects and commercial work decreases by £92k. This reflects an investment being made to rebuild commercial income and follows the return of two individuals who supported the Growth Hub throughout 2021-22.

To address the projected deficits in both the LEP and MC will require detailed thinking which also reflects the future functions of the LEP, although we have a hard deadline to prepare a draft delivery plan for 2023-24 by 25th November 2022. That plan will need to be based on a balanced budget, perhaps even a small surplus. The timetable for the review of the LEP/MC was set out in a paper to the board discussion meeting in April.

In the interim period, potential areas of saving can be identified.

Enterprise Zone Retained Business Rates

Retained business rates opening cash balance at 31/3/2022 stands at ca. £1.9M. This provides cover for the payments due in 2022-23 comprising loan repayments (£1.1M) and operational funding (£0.9M). The cash flow is such that most of the payments are made before income receipts which arrive late in the financial year.

Over the last three years, £100k annually of receipts from the Enterprise Zone has been used for destination marketing and is passed through to Marketing Cheshire. We have assumed this will continue and, if it didn't, Marketing Cheshire would face more difficulty. We have also spent £400k per year on a business case fund. The executive team will present to next month's meeting some proposals for use of any surplus funds, e.g., support of business cases for SPF.

As part of the longer term, we will want to look, with local authorities, at the income from the Enterprise Zone and how it is deployed.

Capital Expenditure

Annual depreciation, a non-cash related expense, in the LEP runs at about £60k per annum and provides a resource for occasional investment items. Typically, expenditure of up to £10k is earmarked during any given business year for IT equipment and this is likely to continue.

Since our move from the first floor at Wyvern (6 months ago), the LEP has occupied temporary space on the ground floor, and a new more permanent area is now being discussed with CWaC. At the recent staff away day staff identified their workspace as an important factor necessary to encourage a post-covid hybrid mode of working. A provisional capital budget will be needed to enable the office move. In short term expenditure will be kept to the bear minimum and once we have greater clarity later in the year, seek to refurbish.

Conclusion

The board is asked to approve the budget. During the year the executive will seek to reduce the deficits by in year management of resources and expenditure.

Appendix 1

LEP Budget 2022-23 - Departmental Analysis																	
	LEP											MARKETING CHESHIRE					
	Policy	Corporate	Core	Growth Hub	DIT	DSP	SAP	Bootcamps	Pledge	EZ	EZ Projects	LEP Total	Projects	Grants	VIC	Admin	MC Total
Income / Funding																	
Central Govt. Funding	375,000	-	375,000	231,000	34,000	55,000	55,000	1,050,000				1,800,000		129,500			129,500
LA Funding	187,500	45,000	232,500									232,500	126,400	160,000	135,000		421,400
Other Funding		6,000	6,000									360,000	224,000				224,000
Retained Business Rates	-	468,600	468,600									868,600	100,000				100,000
Commercial/Partnership												-	185,000		95,200		280,200
Overhead Recovery		88,950	88,950	(11,550)	(1,700)	(2,750)	(2,750)	(52,500)	(17,700)			-	34,250	(28,850)			5,400
Total Income	562,500	608,550	1,171,050	219,450	32,300	52,250	52,250	997,500	336,300	300,000	100,000	3,261,100	669,650	260,650	230,200	-	1,160,500
Expenditure																	
Cost of Goods Sold												-	260,500	210,650	31,450		502,600
Staff Costs	251,568	678,965	930,533	297,013	55,882	49,300		102,000	247,416	125,549		1,807,693	323,596		116,726	35,657	475,979
Salaries recovery		(114,533)	(114,533)									(114,533)	(50,000)	50,000		114,533	114,533
Travel and Other Staff Exp.	5,000	15,000	20,000	4,000	3,000				10,000	3,000		40,000	3,850				3,850
Training/Recruitment		30,000	30,000									30,000			4,500		4,500
Consultants	150,000	-	150,000				31,000	881,155	64,884	100,000		1,227,039	20,000				20,000
Marketing / PR	130,000	43,000	173,000	69,000					10,000		100,000	352,000					-
Research / Subscriptions	36,000	-	36,000	32,200			10,000					78,200	16,200				16,200
Rent		27,200	27,200									27,200			24,996	24,000	48,996
Office running costs / Insurance		20,500	20,500									20,500				10,400	10,400
Mobile phones	3,000	4,500	7,500	1,700	200	300		4,000		300		14,000	1,200				1,200
IT		60,000	60,000	2,450								62,450	21,000		3,600	30,000	54,600
Legal & Professional		25,000	25,000			2,650				30,000		57,650				3,600	3,600
Audit		10,000	10,000									10,000				4,200	4,200
Bank		300	300									300			10,800	2,800	13,600
Miscellaneous		5,000	5,000	1,087			11,250	14,345		543		32,225	810				810
Accounting Body Charge		83,000	83,000									83,000					-
Contingency		50,000	50,000		7,218							57,218					-
Depreciation		22,000	22,000							40,608		62,608					-
Total Expenses	575,568	959,932	1,535,500	407,450	66,300	52,250	52,250	997,500	336,300	300,000	100,000	3,847,550	597,156	260,650	187,572	229,690	1,275,068
Surplus / (Deficit)	(13,068)	(351,382)	(364,450)	(188,000)	(34,000)	-	-	-	-	-	-	(586,450)	72,494	-	42,628	(229,690)	(114,568)

Appendix 2

LEP Provisional Actual 2021-22 - Departmental Analysis																	
	LEP											MARKETING CHESHIRE					
	Policy	Corporate	Core	Growth Hub	DiT	DSP	SAP	Accelerate	Pledge	EZ	EZ Projects	LEP Total	Projects	Grants	VIC	Admin	MC Total
Income / Funding																	
Central Govt. Funding	375,000	202,500	577,500	641,250	68,211	63,915	59,340					1,410,216	19,000	46,960			65,960
LA Funding	187,500	209,210	396,710									396,710	187,816	346,545	135,000		669,361
Other Funding		3,771	3,771					19,817	333,466			357,054	277,076	9,198			286,274
Retained Business Rates	-	234,300	234,300							246,519	502,172	982,991	100,000				100,000
Commercial/Partnership												-	124,386		96,573		220,959
Overhead Recovery		107,002	107,002	(45,994)	(13,201)	(2,192)	(3,750)		(32,974)			8,891	26,962	(26,962)			-
Total Income	562,500	756,783	1,319,283	595,256	55,010	61,723	55,590	19,817	300,492	246,519	502,172	3,155,862	735,240	375,741	231,573	-	1,342,554
Expenditure																	
Cost of Goods Sold												-	324,546	366,544	30,264		721,354
Staff Costs	264,606	638,059	902,665	336,546	54,688	48,100			252,339	122,416		1,716,754	304,841		109,643	55,246	469,730
Salaries recovery	(5,925)	(72,961)	(78,886)	69,108					5,925			(3,853)	(78,305)	9,197		72,961	3,853
Travel and Other Staff Exp.	5,000	(2,507)	2,493	1,293	122				1,183			5,091	2,354				2,354
Training/Recruitment		16,885	16,885									16,885				2,673	2,673
Consultants	141,360	14,040	155,400	93,862		13,300	45,840	14,723	28,715	82,674		434,514	(800)				(800)
Marketing / PR	130,000	35,113	165,113	69,000					8,330		100,000	342,443					-
Research / Subscriptions	35,001	-	35,001	22,938			9,750					67,689	52				52
Rent		25,189	25,189	545								25,734			25,000	24,292	49,292
Office running costs / Insurance		17,933	17,933									17,933				12,340	12,340
Mobile phones	3,000	2,011	5,011	1,964	200	323			4,000	410		11,908	518				518
IT		56,633	56,633									56,633	17,455		3,685	30,000	51,140
Legal & Professional		22,010	22,010									22,010				3,825	3,825
Audit		10,020	10,020									10,020				5,334	5,334
Bank		284	284									284			10,987	2,028	13,015
Miscellaneous		2,569	2,569									2,569	26				26
Accounting Body Charge		83,700	83,700									83,700					-
Contingency		-	-									402,172					-
Depreciation		18,770	18,770							40,609		59,379					-
Total Expenses	573,042	867,748	1,440,790	595,256	55,010	61,723	55,590	14,723	300,492	246,109	502,172	3,271,865	570,687	375,741	179,579	208,699	1,334,706
Surplus / (Deficit)	(10,542)	(110,965)	(121,507)	-	-	-	-	5,094	-	410	-	(116,003)	164,553	-	51,994	(208,699)	7,848

Appendix 3

LEP/MC - Departmental Variance Analysis Budget 2022-23 vs Provisional Actual 2021-22																	
	LEP											MARKETING CHESHIRE					
	Policy	Corporate	Core	Growth Hub	DiT	DSP	SAP	Bootcamps	Pledge	EZ	EZ Projects	LEP Total	Projects	Grants	VIC	Admin	MC Total
Income / Funding																	
Central Govt. Funding		(202,500)	(202,500)	(410,250)	(34,211)	(8,915)	(4,340)	1,050,000				389,784	(19,000)	82,540			63,540
LA Funding		(164,210)	(164,210)									(164,210)	(61,416)	(186,545)			(247,961)
Other Funding		2,229	2,229					(19,817)	20,534			2,946	(53,076)	(9,198)			(62,274)
Retained Business Rates		234,300	234,300							53,481	(402,172)	(114,391)					-
Commercial/Partnership												-	60,614		(1,373)		59,241
Overhead Recovery		(18,052)	(18,052)	34,444	11,501	(558)	1,000	(52,500)	15,274			(8,891)	7,288	(1,888)			5,400
Total Income		(148,233)	(148,233)	(375,806)	(22,710)	(9,473)	(3,340)	977,683	35,808	53,481	(402,172)	105,238	(65,590)	(115,091)	(1,373)	-	(182,054)
Expenditure																	
Cost of Goods Sold												-	(64,046)	(155,894)	1,186		(218,754)
Staff Costs	(13,038)	40,906	27,868	(39,534)	1,194	1,200		102,000	(4,923)	3,133		90,939	18,755		7,083	(19,589)	6,249
Salaries recovery	5,925	(41,572)	(35,647)	(69,108)					(5,925)			(110,680)	28,305	40,803		41,572	110,680
Travel and Other Staff Exp.		17,507	17,507	2,707	2,878				8,817	3,000		34,909	1,496				1,496
Training/Recruitment		13,115	13,115									13,115				1,827	1,827
Consultants	8,640	(14,040)	(5,400)	(93,862)		(13,300)	(14,840)	866,432	36,169	17,326		792,525	20,800				20,800
Marketing / PR		7,887	7,887						1,670			9,557					-
Research / Subscriptions	999		999	9,262			250					10,511	16,148				16,148
Rent		2,011	2,011	(545)								1,466			(4)	(292)	(296)
Office running costs / Insurance		2,567	2,567									2,567				(1,940)	(1,940)
Mobile phones		2,489	2,489	(264)		(23)				(110)		2,092	682				682
IT		3,367	3,367	2,450								5,817	3,545		(85)		3,460
Legal & Professional		2,990	2,990			2,650				30,000		35,640				(225)	(225)
Audit		(20)	(20)									(20)				(1,134)	(1,134)
Bank		16	16									16			(187)	772	585
Miscellaneous		2,431	2,431	1,087			11,250	14,345		543		29,656	784				784
Accounting Body Charge		(700)	(700)									(700)					-
Contingency		50,000	50,000		7,218							(344,954)					-
Depreciation		3,230	3,230							(1)		3,229					-
Total Expenses	2,526	92,184	94,710	(187,807)	11,290	(9,473)	(3,340)	982,777	35,808	53,891	(402,172)	575,685	26,469	(115,091)	7,993	20,991	(59,638)
Surplus / (Deficit)	(2,526)	(240,417)	(242,943)	(188,000)	(34,000)	-	-	(5,094)	-	(410)	-	(470,447)	(92,059)	-	(9,366)	(20,991)	(122,416)