**2017/18 DRAFT BUDGET**

1. This note explains the assumptions behind the attached draft budget for the C&W LEP for 2017/18 and proposes a set of objectives and deliverables for the LEP for the coming financial year. This budget is presented for approval by the Board.

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 £250,000 of this. For the coming year, we have agreed that this match will comprise 50% contribution from the local authorities and 50% from Enterprise Zone (EZ) income.
2. In line with the approach taken in other LEPs, we have also recognised our Local Growth Fund programme management costs and included a 1% management charge in our most recent LGF3 bid; this has been approved as part of the LGF allocation is reflected as income in the proposed budget. Also as reflected in the supporting tables, it is proposed that part of the LGF Management monies are used in the short term to cover Enterprise Zone-related expenditure – this is in preference to borrowing from the Growing Places Fund and incurring interest costs. When the new EZ income is received, the LGF Management monies will be replenished, to enable support to future year’s LGF programme management activity.
3. We have agreed that all EZ costs will be met from EZ income, ultimately, and now have forward projections for the Business Rate(s) income starting in 16/17 for those businesses that have already located within the EZ. These are shown on the attached draft budget. This equates to £67,142 in 16/17, rising to £239,594 in 17/18. These figures reflect the “worst-case” scenario; i.e. assuming no further businesses locate on the EZ. Given these projections, we are confident that we will be able to recover our EZ costs and deploy this money at a later date.
4. In 2016/17 the LEP made use of surpluses that had been built up during 2014/15 and 2015/16 to deliver key projects designed to put the LEP on a long term sustainable footing. This included recruiting to key posts and setting up the Enterprise Zone. We have quantified the latter and will look to recover from EZ income, in due course, as described above. We have also used the surpluses to install new IT kit and pay off earlier desk and hardware costs, which had previously been capitalised. We will close this year with a surplus of around £74,000, in addition to reserves from the previous year of £274,000 that will carry forward, again we will look to make use of these, in 2017/18 and future years. We have 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 £500,000 in the LEP’s GPF account. The LEP continues to draw this down, previously at a rate of £250k pa, though we are proposing £200k for the coming year.

Interest from GPF and LGF balances: GPF capital funding held in the LEP’s account, or on loan to developers, generates interest which the LEP can also draw down. 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. Estimates of interest on GPF and LGF balances exceed £140,000 and have been included in the budget.

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.

Expenditure

1. The main features of the proposed budget for 2017/18 compared to 2016/17 are:

Staff Remuneration: We have appointed to key posts on a permanent basis and these additional costs are reflected in the Budget. In addition to the permanent positons, we have taken on a Growth Director for the Enterprise Zone, on a fixed two-year contract and a Transport co-ordinator on a fixed one-year contract, which ends in the Autumn, though given the importance of that role we have ensured there is provision in the budget to resource it till the end of the financial year. In relation to the Growth Director we have agreed that those costs will be met from Enterprise Zone income and so are not included in the main LEP Budget.

Marketing, Communications and Stakeholder Engagement: In 2016/17 Marketing Cheshire provided a range of services for the LEP, including accountancy, and was also the formal employer of Sarah Harvey. This year, Sarah has moved on to the LEP’s payroll and, as a result, we now have a single budget line for marketing, communications and stakeholder activity, some of which will still be spent with Marketing Cheshire.

Externally Procured Support: In 2016/17 this budget encompassed a very wide range of activity including the cost of external consultancy work to update our strategic economic plan, to further develop the NGDZ proposals and to undertake a sub-regional transport study. This work is largely complete, or nearing completion. We are again proposing a budget of £200,000 to cover the costs of external consultancy for strategic development activity. Of this, £50,000 is already committed to NGDZ which provides our contribution to match funding the £1.2m DCLG and DfT are providing for the development of that strategy. We are also in discussion with Cheshire West & Chester around the development of a delivery plan for the Mersey-Dee Economic Axis, which would require a similar contribution of £50,000.

Enterprise Zone: The LEP will be responsible for strategic management and promotion of the Cheshire Science Corridor Enterprise Zone. In line with the cost of the Growth director, these costs will be met directly from income generated on the EZ and are therefore not included in the LEP’s operating budget.

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 operating budget.

Objectives for 2017/18

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, implement a new National Assurance framework, and to co-ordinate the delivery of projects funded through the Government’s Local Growth Fund, European Structural Funds, in addition to overseeing the operation of Enterprise Zones. The Government remains keen that LEPs are at the heart of any devolution proposals, reflecting the importance it attaches to local economic development being led at a 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 that the LEP 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 any additional projects. [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 and that all funding is fully committed by March 2019 . [Unavoidable]
5. Successfully operate the Cheshire Science Corridor Enterprise Zone ensuring we make maximum use of fiscal incentives available until 2021 and that we maximise the level of Business rate revenue from the zone [Unavoidable];
6. ensure that the Science Corridor brand is exploited in a way that maximises its benefit across the whole of the sub-region. [Desirable]
7. Oversee and facilitate the operation of a Business Growth Hub and ensure it is equipped to meet the challenges that lie ahead e.g. the Industrial strategy, Brexit etc. [Unavoidable]
8. Ensure that Growing Places Fund is deployed in a way that provides the maximum possible benefit to C&W businesses, and that, pending its possible incorporation into a wider post-devolution funding system, an average of 80% is invested with businesses at any one time. [Essential]
9. Complete the refresh of C&W’s Strategic Economic Plan, ensuring it is up to date and ensure that the LEP’s resources are directed towards its key priorities, including the Northern Gateway Development Zone, the Mersey-Dee Economic Axis and Warrington New City. [Essential]
10. 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]
11. To develop and implement a sub-regional skills strategy, identifying the priority areas for intervention and working with employers and providers to deliver. [Essential]
12. Work closely with the SFA, BIS and C&W’s FE and Sixth Form colleges to help implement the outcome from the Area Based Review that ensures that the 16+ education system will produce the skills required by the C&W economy. [Essential]
13. 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]
14. 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]
15. 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]