

Hull & East Yorkshire LEP

Paper C – LEP Budget 2021/22

Report to the LEP Board - 31st March 2022

Joint report from Teresa Chalmers, Chief Operating Officer & Graeme Smith, Finance Business Partner, HCC (Accountable Body)

1. Summary

1.1. This report updates the LEP Board on the budget position in the current year.

2. Recommendations

2.1. That the LEP Board notes the current position.

3. Core Budget

3.1. Spend in relation to the core budget to the end of February 2022 & projections for the full year are attached at Appendix 1. This indicates a likely underspend of c £128k which would be added to available reserves.

3.2. As the Board will be aware the current year (& potentially next year) have been one of material financial uncertainty with BEIS grant being received in two tranches of £250k each covering a six month period, and such funding being received late. This uncertainty has meant that constraints on funding have been significant with a deliberate strategy to minimise spend. Additionally ongoing Working from Home arrangements have allowed savings on accommodation budgets to an extent – this most noticeably reveals itself in transport, subsistence and training budgets.

4. Commitments against reserves

4.1. Appendix 2 contains an analysis of expected reserves at the year end. There are a number of reserves that are either grant funded (and thus where spend is restricted) or where there are existing commitments.

4.2. Reserves held in respect of future liabilities have been updated – these are reserves to cover future redundancy costs should funding no longer be available which, generally, cannot be funded from grants (grant conditions generally specifically excluding such amounts). Should these crystallise, these amounts are especially liable to volatility for employees over the age of 55 who are in the pension fund when an actuarially determined “strain” cost is payable to cover additional costs on the pension fund of staff retiring early. The latest assessment is that the totality of such costs has grown by £16,750 over the last 12 months.

4.3. “Free” reserves available for potential allocation by the HEY LEP Board are expected to be in the region of £340k by the year end after allowing for redundancy costs. This includes reserves previously earmarked for other

purposes but not contractually committed. However, because of the material uncertainty with regard to the ongoing core funding it would not be prudent to allocate any such reserves at this stage should they ultimately be required to offset pressures were the totality of funds available from BEIS and the two Local Authorities to be less than £600,000 for the full financial year.

5. 2022/23 budgets

- 5.1. There is a second paper on this agenda covering next years budgets, although it is worth noting that as yet we have had no indication of funding levels or duration from Central Government that is definitive.
- 5.2. It should be noted that between Local Authority contributions and BEIS funding at least an equivalent quantum to the current year is required to maintain ongoing operations.

6. Financial and resource implications

- 6.1. The financial implications are as set out in this report.

Appendices

1. Projected Core spend for the FY and spend to date at February compared to budget
2. Expected reserves at the year end