

Hull & East Yorkshire LEP

Paper D – LEP Budget 2022/23

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 progress in setting the LEP Core Budget for 2022/23. This paper should be read in conjunction with the related report on the position in the current year.
- 1.2. Given the lack of funding certainty it is not possible at this stage to set a budget given the material uncertainties surrounding the funding from BEIS and as a corollary that from the Local Authorities. Government is expected to be writing shortly to provide clarity on the funding arrangements for 2022/23.
- 1.3. In order for the HEY LEP to continue going forward with the same staffing structure then Local Authority contributions and BEIS funding of at least an equivalent quantum to the current year (£600k) is required to maintain ongoing operations.
- 1.4. This is an evolving situation and the Board will be updated verbally should any income streams be confirmed in the meantime.

2. Recommendations

- 2.1. That the LEP Board notes the current position with regard to the overall budget position and acknowledges that in advance of an indication of financial commitment from BEIS it is not possible to set a meaningful budget where there is such material uncertainty.
- 2.2. That the Board also note that the ongoing operating cost of the LEP is c £639k, of which around £20k can be charged to projects and that therefore funding equivalent to last years levels would be required.
- 2.3. Nonetheless, that the Board approves use of reserves for
 - Marketing spend, in principle, of £10,000
 - & In advance of any notification of growth hub funding the board is requested to approve a one month extension to the post of the Workforce Development Business Advisor at a cost of £3,759.

3. Core Budget

- 3.1. Historically the LEP Board would by now have received a report setting out the proposed budget for the forthcoming year, but at this stage it has not

been possible to determine a budget because of the material uncertainty around funding for the forthcoming year.

- 3.2. The Board will be aware of the recent Government White Paper, Levelling Up (“LUWP”). It had been expected that this publication would provide a degree of clarity around the future of LEPs, in particular in this context the funding envelope available to continuing LEPs in advance of any settlement on Devolution in the area.
- 3.3. The longer term aim would appear to be the LEP functions including hosting strategic business voice are incorporated into local devolution deals¹. Whilst the White Paper goes on to say “where a devolution deal does not yet exist, LEPs will continue to play their vital role in supporting local businesses and the local economy” there has been no announcement of funding in this regard.
- 3.4. However it should be noted that, in a Westminster Debate on LEPs held on 16 March 2022, Parliamentary Under Secretary of State (Department for Levelling Up, Housing and Communities) Neil O’Brien confirmed that government will be writing shortly to provide clarity on the funding arrangements for 2022/23 - see [Westminster Hall Debate](#).
- 3.5. Without the necessary clarity from Central Government regarding future LEP funding, it is not possible to provide a full and meaningful budget report at this stage. The LUWP did not go into sufficient detail about future LEP funding, therefore, until government provide, in writing, their commitment, the Accountable Body is not able to assume a full budget will be available. To that end, proposed expenditure can only be estimated and any projections must be caveated with the grave warning that should funds not be forthcoming, the LEP will be reliant upon reserves. The position with regard to reserves is as set out in the related report on this agenda of the position in the current year.
- 3.6. The overall cost of the core function of the LEP is presently estimated to be:
- Staffing² £533k + £20k contribution to LDSP
 - Accommodation £32k
 - Other costs £54k
- 3.7. This allows for the replacement of the vacant Comms & Marketing officer post with a 3 day per week post at grade 9, consistent with grades of the Accountable Body’s Comms & Marketing officers. The Board should note that whilst it is intended to operate at roughly the same level as last year for most

¹ Levelling Up White Paper, Feb 2022

² Staffing budgets all are assuming a 2% pay rise in year and includes the Health & Social Care Levy, superannuation costs and additional pension contributions, alongside agency staff, maternity/paternity allowances etc.. Core staffing includes Chairs & Deputy Chairs remuneration.

budget lines the LEP, in common with other organisations, faces significant cost pressures on gas and electricity costs with an expected year on year increase of c120%.

- 3.8. Income in 21/22 amounted to £500,000 from BEIS, and a further £100,000 from the two local authorities.
- 3.9. In addition the costs of accommodation were recovered from projects as appropriate (which amounted to £27k) & £25k of salaries were funded by the Skills Advisory Panel funding.
- 3.10. Between Local Authority contributions and BEIS funding at least an equivalent quantum to the current year is required to maintain ongoing operations.**

4. Local Digital Skills Partnership (LDSP)

- 4.1. The overall cost of the Local Digital Skills Partnership function of the LEP is presently estimated to be Staffing - £58k per annum
- 4.2. Income of £37,500 was received covering the period 1/9/21 to 31/8/22, so £15,625 will be used to offset this years costs.
- 4.3. Assuming this level of funding were to continue for the full financial year then matched funding of £21k would be required (or £9k if the project were to cease on 31/8/22). This is assumed to be a contribution from core funds.

5. Other funding

Growth Hub

- 5.1. As with Core funding, we have yet to receive any confirmation of funding in respect of this programme. There are no dedicated reserves held against the Growth Hub. The value of the Growth Hub contract is presently £430,750.

Skills Funding

- 5.2. The LEP has historically received £75,000 as part of the Skills Advisory Panel funding. £25,000 of this in 21/22 was used to support Core staff salaries.
- 5.3. No announcement on funding for 22/23 has yet been made, although one is expected by the end of the month.

Careers Funding

- 5.4. We have recently received assurance from the Careers & Enterprise Company that DfE will fund them between 1/9/22 & 31/8/23, with grant offer letters expected imminently.

Key Account Manager, Foreign Direct Investment

- 5.5. We are awaiting details from the Department for International Trade on next years contract.

6. Growth Funds

- 6.1. The LEP Board agreed at its January meeting to allocate £3.25m from the Growing Places Fund towards a new 3 year grant regime, of which £0.45m from this allocation is ring-fenced to cover programme management and administration, including the retention of the existing Investment Programmes Co-ordinator and Investment Programmes Officer roles.

7. Available Reserves

- 7.1. “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 widely 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.
- 7.2. There are however, two areas that the Board is requested to approve in the interim:
- Marketing spend has been traditionally funded from reserves and the Board is requested to approve in principle an allocation of £10,000
 - In advance of any notification of growth hub funding the board is requested to approve a one month extension to the post of the Workforce Development Business Advisor at a cost of £3,759.

8. Financial and resource implications

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

Appendices

1. Potential LEP Budget for 22/23, subject to funding