



THE BUSINESS BOARD

Agenda Item No: 2.1

Budget and Performance Report

To: Business Board

Meeting Date: 13 March 2023

Public report: Yes

Lead Member: Chair of the Business Board, Alex Plant

From: Finance Manager, Bruna Menegatti

Key decision: No

Recommendations: The Business Board is recommended to:

Note the year to date financial position relating to the revenue and capital funding lines within the Business and Skills directorate for the 2022/23 fiscal year.

1. Purpose

- 1.1 To provide an overview of the revenue and capital funding lines that are within the Business and Skills directorate, to assist the Business Board and enable informed decision making regarding the expenditure of these funds.

2. Background

- 2.1 The Business Board has requested a summary of the revenue and capital funding lines available within the Business and Skills directorate, to assist in ensuring financial decisions relating to the revenue and capital funding lines under their control are well informed, financially viable, and procedurally robust.
- 2.2 The actual spend reflects costs incurred to the end of January 2023, accrued expenditure and the impact on the current year assumptions made on staffing, overheads and workstream programme delivery costs as set out in the Medium-Term Financial Plan (MTFP).

3. 2022/23 Revenue Budget

- 3.1 A breakdown of the Business and Skills directorate 'Business Revenue' income for the period to 31 January 2023, is set out in Table 1 below.

Grant Income	22/23 Budget £k	YTD Actuals £k	YTD Variance £k	FY Forecast Outturn £k	FY Forecast Outturn Variance £k
Enterprise Zone receipts	-972	-851	121	-851	121
ERDF - Growth Service Grant	-2,918	-15	2,903	-2,918	-
ESF Growth Service Grant	-920	-823	96	-920	-
Growth Hub Grants	-246	-	246	-246	-
LEP Core Funding	-375	-	375	-375	-
Total Grant Income	-5,431	-1,392	4,039	-5,309	121

Table 1 – Business revenue income

- 3.2 Similar to the previous update, the European Regional Development Fund (ERDF) and European Social Fund (ESF) programmes have been slower to start than was anticipated. This is reflected in both delayed grant claims, as seen in Table 1, and expenditure, as seen in the 'Growth Co Services' line in Table 2. ERDF grant claims for the first three quarters of 2022/23 have been processed and payment of £295k is expected imminently.
- 3.3 The current year's allocation for Local Enterprise Partnership (LEP) Core Funding is still paused by the Department for Levelling Up, Housing and Communities (DLUHC). The improvement plan has been agreed by the Combined Authority Board, and there will be quarterly meetings with DLUHC to monitor progress with the intention that this will provide DLUHC with the assurances they require.

- 3.5 Growth hub grants receipt will be released following the receipt of the audit clearance on the previous financial year accounts. This has been submitted to the Department for Business, Energy and Industrial Strategy (BEIS) on 13 February 2023 and the expectation is that the funds for the current year will be released by the end of March. The audit has brought to the Combined Authority's attention a discrepancy of £100k between the amount claimed from BEIS and the actual expenditure incurred, which will need to be repaid. This is partially due to impacts from the Covid-19 pandemic, which have caused changes in the method of the delivery of the programme. The reduction in funds has not affected the delivery of the programme, which met its targets.
- 3.6 Enterprise Zone National Non-Domestic Rates (NNDR) receipts – all claims for the year have been submitted to the councils, with no further income expected this year.
- 3.7 A breakdown of the Business and Skills directorate's 'Business Revenue' expenditure for the year to 31 January 2023 is shown in Table 2 below.

'Business Revenue' Expenditure	22/23 Budget £k	YTD Actuals £k	YTD Variance £k	FY Forecast Outturn £k	FY Forecast Outturn Variance £k
Economic Rapid Response Fund	41	44	3	41	-
Growth Co Services	5,073	830	-4,243	4,947	-126
Insight and Evaluation Programme	75	78	3	75	-
Local Growth Fund Costs	426	298	-128	426	-
Marketing and Promotion of Services	90	-	-90	90	-
P'boro Uni Quarter Masterplan	100	100	-	100	-
SPF Evidence Base and Pilot Fund	77	11	-66	77	-
Total Revenue expenditure	5,881	1,311	-4,521	5,755	-126

Table 2 – Business revenue expenditure

- 3.8 As presented at the previous Business Board's meeting, the year to date (YTD) Growth Co underspend is due to the slow initiation of the ERDF funded workstream within the Growth Co, which has delayed expenditure due to some issues obtaining the necessary quality of documentation from supported companies.
- 3.9 A procurement exercise for evaluation of the Local Growth Fund (LGF) has recently been completed, which resulted in a delay in spend against LGF costs. However, staffing and members recharges are coming through regularly.
- 3.10 The Economic Rapid Response Fund, Insight and Evaluation Programme, LGF and Shared Prosperity Fund (SPF) budgets have been committed as part of a completed combined procurement for evaluation and due diligence services across multiple grant streams. The contract was awarded to Metro Dynamics in October 2022.
- 3.11 Marketing and Promotion outturn is low, as the Public Advisor role (previously to be spent out of this budget) is now being funded by the Communication team's budget directly. There otherwise does not appear to be any earmarked expenditure.
- 3.12 Table 3 below provides an overview of the Energy revenue budget lines, which are currently outside the Business Board's control and are provided for information purposes.

'Energy Revenue' Expenditure	22/23 Budget £k	Actual spend £k	Forecast Outturn £k	Left to spend £k	Change in Forecast Outturn £k
GSE Energy Hub	2,186	555	760	205	1,426
GSE COP 26	23	18	23	5	-
GSE Green Homes Sourcing Activity	699	366	699	344	-
GSE Net Zero Investment Design	1,500	600	873	273	627
GSE Public Sector Decarbonisation	1,150	66	200	135	950
GSE Rural Community Energy Fund (RCEF)	1,974	1,423	1,628	205	346
GSE Home Improvement Grant HUG 1	4,443	236	4,443	4,207	-
GSE Green Homes Grant Ph 3 (LAD 3)	10,601	1,415	10,601	9,187	-
Total Energy Revenue expenditure	22,558	4,678	19,228	14,550	3,349

Table 3 – Energy revenue expenditure

3.13 Variances between the forecast outturn position and the annual budget are set out below:

- (i) The core Energy Hub programme is currently forecasting an underspend, as this was not profiled and forecasted for a longer period to reflect the funding period to 30 September 2023. £1.015m is committed, of which £843k relates to ringfenced projects, and £172k to approved technical consultancy funds. Project funding was received late and work/activities were not completed by 31 March 2023, meaning that some of the funding will be carried forward. Work is underway to prepare a detailed reprofiling of the core budget into 2023/24 and 2024/25 financial year, in line with the new Memorandum of Understanding (MOU) profile. The underspend will be transferred to the future respective financial years. The forecast outturn total does not currently include defrayal of funding for Net Zero Go development. Agreement on Intelligent Property Rights is awaiting a decision from BEIS, and this cost may be incurred in this financial year.
- (ii) The COP26 budget has been fully allocated and is expected to be fully spent.
- (iii) The LAD2 project is currently forecasting to be online. During the financial year the LAD2 budget returned to BEIS as forecast underspend was £55.35m, which reflects the reduced activity due to the difficulties faced with delivering the programme. The spend has also been reduced in line with the reduced project outturn. Work is ongoing to close down the project and establish the final total cost of the project. Recently, an additional £800k of underspend was sent to BEIS, and once work is completed the final underspend figures will be return to BEIS.
- (iv) Public Sector Decarbonisation programme was profiled with the majority of the spend taking place in 2022/23. The Public Sector Decarbonisation programme is forecasting an underspend. The majority of this budget is for staffing and associates/consultants. No candidates were suitable for appointment, and therefore no staffing cost spend has taken place. A new recruitment strategy has been developed, and spend will be reprofiled into the new financial year.
- (v) The Rural Community Energy Fund (RCEF) programme grants have now been fully awarded, and the budget is ring-fenced. The programme is currently forecasting an underspend which will be transferred to the new financial year. Funded feasibility and development projects are pending completion. Projects may be extended on a case by

case basis, with project closure on 30 September 2023.

- (vi) Three projects (Net Zero Investment Design, LAD3 programme and HUG1 programme) were added this year; new grant awards from BEIS and spend has begun on these activities. The Net Zero Investment Design programme is forecasting an underspend, and work will not be completed this year, but it will be accrued to next year, with some of the spending reprofiled into the next financial year.

4. 2022/23 Capital Budget

- 4.1 A breakdown of the Business and Skills directorate 'Business Capital' expenditure for the year to 31 January 2023 is shown in Table 4 below.

'Business Revenue' Expenditure	Funding source	22/23 Budget £k	YTD Actuals £k	YTD Variance £k	FY Forecast Outturn £k	FY Forecast Outturn Variance £k
Barn4 specialist growing facilities	Recycle	400	193	-207	400	-
Cambridge Biomedical MO Building	LGF	185	185	-	185	-
Cambridge City Centre	LGF	695	595	-100	695	-
College of West Anglia - Net Zero	Recycle	274	-	-274	-	-274
Expansion of Growth Co Inward Investment	Recycle	400	400	-	400	-
Fenland Hi-tech Futures	Recycle	400	98	-302	400	-
IEG Student Space	Recycle	400	400	-	285	-115
Illumina Accelerator	Recycle	1,700	600	-1,100	900	-800
Ramsey Produce Hub	LGF	302	-	-302	-	-302
Start Codon (Equity)	Recycle	1,475	295	-1,180	500	-975
The Growth Service Company	Mixed	5,135	-	-5,135	1,822	-3,313
Total Capital Expenditure		11,366	2,765	-8,600	5,587	-5,779

Table 4 – Business Capital expenditure (n.b. LGF stands for Local Growth Fund; Recycled funds are those given out by the Business Board as loans which have subsequently been repaid)

- 4.2 The Growth Service capital spend is behind forecast due to the late re-start of the Equity service line part of the programme. Following a slow start in 21/22, the Equity service line was paused, and the delivery partner was changed. It has been relaunched in October 2022. Slippage into the next fiscal year is being captured in the MTFP process for a revised forecast to the end of the Growth Service contract.
- 4.3 Start Codon is expected to make a call in March for £475k, and the remainder (£975k) will slip to next financial year.
- 4.4 Illumina Accelerator's underspend of £1,100k will slip to the next financial year as no further call will be made before the end of March 2023.
- 4.5 Table 5 below provides an overview of the Energy and Market Towns capital budget lines, which are currently outside the Business Board control and are provided for information purposes. There has been no change to the budget, so associated adjustment lines have been omitted.

Energy and Market Towns Capital Expenditure	Funding source	22/23 Budget £k	YTD Actuals £k	YTD Variance £k	FY Forecast Outturn £k	FY Forecast Outturn Variance £k
GSE Green Home Capital Programme Ph 2	LAD 2	16,634	15,631	-1,003	16,634	-
GSE Green Home Grant Capital	LAD 3	29,842	4,873	-24,969	29,842	-
GSE Green Home Grant Capital	HUG	10,824	1,336	-9,488	10,824	-
Market Towns: Chatteris	CGS	596	54	-542	521	-75
Market Towns: Ely	CGS	735	28	-707	453	-282
Market Towns: Huntingdon	CGS	391	86	-305	557	166
Market Towns: Littleport	CGS	-	-	-	-	-
Market Towns: March	CGS	2,068	76	-1,992	530	-1,538
Market Towns: Ramsey	CGS	1,000	190	-810	190	-810
Market Towns: Soham	CGS	894	256	-638	587	-307
Market Towns: St Ives	CGS	433	86	-347	597	164
Market Towns: St Neots	CGS	1,141	-	-1,141	-	-1,141
Market Towns: Whittlesey	CGS	719	138	-581	462	-257
Market Towns: Wisbech	CGS	746	338	-409	713	-33
St Neots Masterplan	CGS	285	-	-285	285	-
Total Energy and Market Towns Capital Expenditure		66,307	23,091	-43,216	62,195	-4,113

Table 5 – Energy and Market Towns capital expenditure (N.B. CGS stands for Capital Gainshare, which is the Combined Authority's un-ringfenced capital funding, HUG and LAD2/3 are capital grants specifically for the relevant retrofit phases)

- 4.6 Regarding the 3 Energy's project, the variances between the capital outturn position and the annual budget are maintained to be online and these are set out below:
- (i) LAD 2 programme is showing to come in online, as work is ongoing to calculate the final total spend of the programme and audit the total figure. Once the final figure is determined, any further underspend will then be sent back to BEIS. The programme has been challenging, leading to an underspend, and all funds not spent within the duration of the project will be returned to BEIS, as the project is funded from a ring-fenced budget. The programme is showing to be close to profile.
 - (ii) LAD 3 programme is showing to come in online. The programme is awaiting feedback from BEIS in regard to an extension of the programme. An extension to the close down date of the programme would enable all spends to be achieved to meet the forecast outturn figure. The forecast outturn figure will be updated once a decision has been reached. BEIS has reclassified the LAD3 delivery from Red to an Amber project, which is a positive indication in regard to the performance of the programme.
 - (iii) HUG 1 programme is challenging and most likely to underspend. The programme is awaiting feedback from BEIS in regard to an extension of the programme. An extension to the close down date of the programme, which would make a significant difference to the forecasted outturn figure. The forecasted outturn figure will be updated once a decision has been reached.
 - (iv) The HUG 1 is likely to have a larger underspend than LAD3.

4.7 Regarding Market Towns, issues related to the impacts of the Covid-19 pandemic around contractors and increased material costs have affected project delivery across the programme.

4.8 32 of the 51 projects (61%) included in the programme will be completed by the end of March 2023, with a further 15 to be completed by March 2024.

5. 2022-23 Budget and Capital Programme

5.1 Table 6 provides information on the Business and Skills directorate's Capital Programme.

	Approved Budget				Total approved to spend	Subject to Approval				Total project budgets
	22/23	23/24	24/25	25/26		22/23	23/24	24/25	25/26	
Business and Skills	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
Barn4 specialist growing facilities	400	-	-	-	400	-	-	-	-	400
Cambridge Biomedical MO Building	185	-	-	-	185	-	-	-	-	185
Cambridge City Centre College of West Anglia - Net Zero	481	-	-	-	481	-	-	-	-	481
Expansion of Growth Co Inward Investment	274	850	876	-	2,000	-	-	-	-	2,000
Fenland Hi-tech Futures Growth Works Additional Equity Fund	400	-	-	-	400	-	-	-	-	400
IEG Student Space	400	-	-	-	400	-	-	-	-	400
Illumina Accelerator	-	2,850	3,325	3,325	9,500	-	-	-	-	9,500
Ramsey Food Hub	7	30	260	99	397	-	-	-	-	397
South Fen Business Park	1,700	-	-	-	1,700	-	-	-	-	1,700
Start Codon (Equity)	302	709	147	-	1,159	-	-	-	-	1,159
The Growth Service Company University of Peterborough Phase 3	-	-	-	-	-	-	-	-	-	-
FE Cold Spots (capital)	-	-	-	-	-	-	2,400	2,175	-	4,575
Retrofit: LAD phase 2 capital	16,634	-	-	-	16,634	-	-	-	-	16,634
Retrofit: LAD phase 3 capital	29,842	-	-	-	29,842	-	-	-	-	29,842
Retrofit: Home Upgrade Grant capital	10,824	-	-	-	10,824	-	-	-	-	10,824
Market Towns: Chatteris	596	-	-	-	596	-	-	-	-	596
Market Towns: Ely	735	-	-	-	735	-	-	-	-	735
Market Towns: Huntingdon	391	-	-	-	391	422	-	-	-	813
Market Towns: Littleport	-	-	-	-	-	1,000	-	-	-	1,000
Market Towns: March	2,068	-	-	-	2,068	-	-	-	-	2,068
Market Towns: Ramsey	1,000	-	-	-	1,000	-	-	-	-	1,000
Market Towns: Soham	894	-	-	-	894	-	-	-	-	894
Market Towns: St Ives	433	-	-	-	433	380	-	-	-	813
Market Towns: St Neots	1,141	1,959	-	-	3,100	-	-	-	-	3,100
Market Towns: Whittlesey	719	-	-	-	719	-	195	-	-	914
Market Towns: Wisbech	746	-	-	-	746	-	-	-	-	746
Market Towns and Villages	-	-	-	-	-	1,250	1,250	-	-	2,500
St Neots Masterplan	285	-	-	-	285	-	-	-	-	285
Total Business and Skills	77,067	9,398	4,608	3,424	94,499	3,052	3,845	2,175	0	103,571

Table 6 – Business and Skills Directorate’s capital programme (n.b. lines in the Business Board’s remit are above the bold line)

6. Business Board Summary Funding Overview

6.1 A summary of the Business Board ‘Recycled Capital and Revenue’ funds is set out in Table 7 below, with the values included in the table in thousands. No changes have been made to the table from the previous report.

Recycled Capital	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Later Years
Opening balance	-11,054	-5,960	-2,601	-1,987	-2,072	-2,256	-2,440	-2,624
<i>Forecast Expenditure</i>	10,531	3,881	1,136	99	0	0	0	0
<i>Forecast Income</i>	-5,438	-522	-522	-184	-184	-184	-184	-2,024
Closing Balance	-5,960	-2,601	-1,987	-2,072	-2,256	-2,440	-2,624	-4,648

Recycled Revenue	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Later Years
Opening balance	-90	-345	-461	-551	-624	-691	-754	-812
<i>Forecast Expenditure</i>	0	0	0	0	0	0	0	0
<i>Forecast Income</i>	-255	-117	-89	-73	-68	-63	-58	-321
Closing Balance	-345	-461	-551	-624	-691	-754	-812	-1,133

Combined	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Later Years
Opening balance	-11,144	-6,305	-3,063	-2,538	-2,695	-2,947	-3,194	-3,436
<i>Forecast Expenditure</i>	10,531	3,881	1,136	99	0	0	0	0
<i>Forecast Income</i>	-5,692	-638	-611	-257	-252	-247	-242	-2,345
Closing Balance	-6,305	-3,063	-2,538	-2,695	-2,947	-3,194	-3,436	-5,781

Table 7 – Recycled capital and revenue funds

6.2 A summary of the forecast EZ income and expenditure is set out in Table 8 below. No changes have been made to the table from the previous report.

Forecast EZ income and expenditure	2022/23 £k	2023/24 £k	2024/25 £k	2025/26 £k	2026/27 £k	2027/28 £k
Total Income	-£972	-£1,009	-£1,009	-£1,009	-£1,009	-£1,009
Total Expenditure	£691	£833	£415	£415	£415	£415
Annual (surplus) deficit	-£280	-£177	-£594	-£594	-£594	-£594
Cumulative Balance	-£635	-£813	-£1,406	-£2,000	-£2,595	-£3,189

Table 8 – forecast EZ income and expenditure (n.b. rates figures shown are for the previous fiscal year)

Significant Implications

7. Financial Implications

7.1 There are no significant financial implications.

8. Legal Implications

8.1 The Combined Authority is required to prepare a balanced budget in accordance with statutory requirements.

9. Public Health implications

9.1 There are no significant public health implications.

10. Environmental and Climate Change Implications

10.1 There are no significant environmental and climate change implications.

11. Other Significant Implications

11.1 There are no other significant implications.

12. Background Papers

12.1 None