

Budget and Performance Report

To: Business Board

Meeting Date: 14 November 2022

Public report: Yes

Lead Member: Chair of the Business Board, Alex Plant

From: Finance Manager, Read Baurtally

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 financial 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 to 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 August 2022, 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 31st August 2022, is set out in Table 1 below.

	Revised budget (£'000)	Actual income (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Change in Forecast Outturn (£'000)
Enterprise Zone receipts	-972	-	-972	-	-
ERDF - Growth Service Grant	-2,918	-	-2,918	-	-
ESF Growth Service Grant	-920	-	-920	-	-
Growth Hub Grants	-246	-	-246	-	-
LEP Core Funding	-375	-	-375	-	-
Total Grant Income	-5,431	-	-5,431	-	-

Table 1 - Grant income

- 3.2 The European Regional Development Fund (ERDF) programme was slower to start than was anticipated, as to a lesser extent was the European Social Fund (ESF). This is reflected in both delayed grant claims (seen here) and expenditure, as seen in the 'Growth Co Services' line in Table 2. Grant claims are now being submitted, as the ERDF project staffing void has recently been filled. Quarter 4 2021 was agreed with the Department for Levelling Up, Housing and Communities (DLUHC), and submitted in the week commencing 17 October 2022, and work is underway with DLUHC to ensure claims for Quarter 1 to Quarter 3 (January 2022 – Sept 2022) are submitted. The new ERDF project coordinator started in early November 2022.
- 3.3 Although not reflected in Table 1, more recently the ESF programme has had Quarter 1 2022/23 claim submitted. If the ESF approves, the value is £211k. The supplier GEG Services' new invoicing system previously had issues, rendering it impossible to produce

invoices. The resolution in place will ensure that future claims will be on time.

- 3.4 The reduction in the LEP core funding grant reflects the actual LEP funding provided by the Department for Business, Energy, and Industrial Strategy (BEIS) for 2022-23. This reduction from £500k to £325k was applied to all LEPs nationally as previously reported to the Business Board. The current year's allocation is still paused by DLUHC, but the improvement plan has been agreed by the CA Board and actions are underway to provide DLUHC with the reassurance required to release these funds.
- 3.5 Enterprise Zone NNDR receipts – Enterprise Zones, first introduced in the 1980s, were revived as a government intervention policy by the Coalition Government in 2011. Enterprise Zone policy states the Local Enterprise Partnership sponsoring retains a share of all business rates generated from occupying businesses within each Zone. The collecting authorities are required to submit NNDR returns to government to confirm business rates received. Cleared funds are confirmed a year in arrears and payment of NNDR income shares are made in the year following the actual collection period.
- 3.6 Growth hub grants (BEIS) - as there was an error in the claim form relating to Q1. This looks to have been resolved and is under review in conjunction with the Q2 claim. A further stipulation from BEIS concerns an outstanding audit query from the previous fiscal year. BEIS have indicated that they will not release funding this year - concerning defrayal evidence for FY 21-22 - until the query is returned via the internal auditor, RSM. There is high confidence that both the claim error and outstanding audit query ought to be resolved in the coming weeks, resulting in the release of the funding.
- 3.7 A breakdown of the Business & Skills Directorate 'Business Revenue' expenditure for the year to 31st August 2022 is show below (the adjustment column has been omitted as no changes to budget since last paper):

	Revised budget (£'000)	Actual spend (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Change in Forecast Outturn (£'000)
Economic Rapid Response Fund	41	12	41	-	-
Growth Co Services	5,073	453	5,073	-	-
Insight and Evaluation Programme	75	12	75	-	-
Local Growth Fund Costs	426	109	426	-	-
Marketing and Promotion of Services	90	5	90	-	-
P'boro Uni Quarter Masterplan	100	100	100	-	-
SPF Evidence Base and Pilot Fund	77	-	77	-	-
Total BB revenue expenditure	5,881	676	5,881	-	-

Table 2 - Business Revenue Expenditure

- 3.8 The year to date 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 needed quality of documentation from supported companies. However, it is now possible to work with DLUHC to complete the claims up to September 2022. A procurement exercise for evaluation of the LGF (Local Growth Fund) has recently been

completed, which resulted in a delay in spend against LGF costs. There have also been staff vacancies for the first two quarters, which would have been charged to LGF costs. The delivery partners are being chased for an update regarding specifically their service and administration costs.

- 3.9 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, and the Combined Authority will be billed for work completed to date, as well as going forward. Accordingly, spend on these budgets will accelerate. However, there is the assumption that the underspend will be carried forward, subject to approval of next year's budget.
- 3.10 The lack of Marketing and Promotion outturn to date is currently being investigated. There does not appear to be a consistent charge for marketing consultancy services, nor any charges relating to other marketing or promotional activities.
- 3.11 Table 3 below gives an overview of the Energy and Market Towns revenue budget lines, which are currently outside the Business Board's control and are provided for information purposes. The budget adjustment line has been omitted due to no adjustments since the last update.

	Revised budget (£'000)	Actual spend (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Change in Forecast Outturn (£'000)
Net Zero Hub core	2,186	317	2,186	-	-
COP 26	23	2	23	-	-
Retrofit - LAD Phase 2	699	223	699	-	-
Retrofit - LAD Phase 3	10,601	183	6,094	-4,508	-
Retrofit - Sourcing Activity	699	223	699	-	-
Retrofit - Home Upgrade Grant	4,443	28	2,493	-1,950	-
Net Zero Investment Design	1,500	600	1,500	-	-
Public Sector Decarbonisation	1,150	6	1,150	-	-
Rural Community Energy Fund	1,974	1,035	1,974	-	-
Total Energy revenue expenditure	23,277	2,617	16,819	-6,458	-

Table 3 - Energy revenue expenditure

- 3.12 Variances between the revenue outturn position and the annual budget are set out below:
- (i) The Net Zero Hub programme is currently forecasting an underspend as the activities for the new Memorandum of Understanding are planned. The underspend will be transferred to the new fiscal year and a full reprofile will be undertaken.
 - (ii) The COP 26 budget has been fully allocated. However, several claims have yet to arrive, and this budget will be closed off early in the new fiscal year.

- (iii) The Lad 2 Sourcing Activity underspend 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.
- (iv) Public Sector Decarbonisation programme was reprofiled with the majority of the spend taking place in 2022/23. However, delays in procuring the recruitment consultant have meant that no spend has taken place, with all spend being carried into the new fiscal year.
- (v) The Rural Community Energy Fund (RCEF) programme is currently forecasting an underspend, but the grants have now all been awarded, and it is a case of waiting for claims from the projects. This is a ring-fenced budget, and the underspend will be transferred to the new fiscal year.
- (vi) Three projects were only added at the end of January 2022 relating to the new grant awards from BEIS, and spend has begun on these activities towards the back end of February 2022.

3.13 An update report, attached at Appendix 1, including revised delivery profiles, was presented to the Greater Southeast Net Zero Hub Board on 18 October 2022.

4. 2022/23 Capital Budget

- 4.1 A breakdown of the Business and Skills directorate Business Capital expenditure for the year to 31 August 2022 is shown in Table 4 below. As there have been no changes to the budget since the September report to the Business Board, the budget adjustment columns have been omitted.

	Funding Source	2022/23 Budget (£'000)	Actual (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Change in Forecast Outturn (£'000)
Barn4 specialist growing facilities	Recycled	400	-	400	-	-
Cambridge Biomedical MO Building	LGF	185	141	185	-	-
Cambridge City Centre	LGF	481	-	481	-	-
College of West Anglia - Net Zero	Recycled	274	-	274	-	-
Expansion of Growth Co Inward Investment	Recycled	400	-	400	-	-
Fenland Hi-tech Futures	Recycled	400	-	400	-	-
IEG Student Space	Recycled	7	-	7	-	-
Illumina Accelerator	Recycled	1,700	200	1,700	-	-
South Fen Business Park	LGF	946	-	946	-	-
Start Codon (Equity)	LGF	1,475	-	1,475	-	-
The Growth Service Company	Mixed	5,135	454	5,135	-	-

Total 22-23 BB Capital Expenditure		11,402	795	11,402	-	-
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Table 4 - 22-23 BB 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 There are several new projects due to the call for submissions for recycled LGF. Although not reflected in the August cut of data above, all but one of the LGF projects have completed spend, with the outstanding project (South Fens Enterprise Park) recently submitting a change request. Presently, there are no concerns over ability to spend for the remainder of the fiscal year, except for the currently under review South Fen Business Park. Further details on this project are included in Agenda Item No. 2.2 (Strategic Funds Management Review – November 2022) of this agenda.
- 4.3 There are several projects that have not formally allocated funds this fiscal year. However, Illumina has recently held a call for projects, and the process of entering SAFE with five new companies totalling £500k has commenced. Start Codon is also due to make a call in October 2022 and a further call in March 2023, with all remaining funds being expended by the end of the next fiscal year. Both forecasts are lofty and will result in slippage into next fiscal year. However, a more realistic forecast has been proposed in the current MTFP exercise.
- 4.4 Cambridge Biomedical has spent to budget in September. Cambridge City Centre has returned expenditure forms indicating that it will be fully spent against budget by the next Business Board meeting.
- 4.5 The Growth Service capital spend is behind forecast because of the late restart of the Equity service line in that programme. During 2021/22, the Equity service line did commence and made one investment of £250,000, but was paused to change delivery partner within the consortia. The service line has now been contractually changed between partners in the consortia and has relaunched in October 2022. Slippage into next fiscal year is being captured in the MTFP process for a revised forecast to the end of the Growth Service contract.
- 4.6 Table 5 below gives an overview of the Energy & Market Towns capital budget lines, which are currently outside Business Board control and are provided for information purposes. There has been no change to the budget, so associated adjustment lines have been omitted.

	Funding Source	2022/23 Budget	Actual (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Change in Forecast Outturn (£'000)
Retrofit: LAD phase 2 capital	LAD 2	49,984	7,236	20,000	-29,984	-
Retrofit: LAD phase 3 capital	LAD 3	73,675	-	34,530	-39,145	-
Retrofit: Home Upgrade Grant capital	HUG	29,610	-	14,128	-15,482	-
Market Towns: Chatteris	CGS	596	122	374	-152	-152
Market Towns: Ely	CGS	735	-	718	-17	-17
Market Towns: Huntingdon	CGS	391	86	326	-65	-65

Market Towns: Littleport	CGS	-	-	-	-	-
Market Towns: March	CGS	2,068	-	868	-1200	-1200
Market Towns: Ramsey	CGS	1,000	-	1,000	-	-
Market Towns: Soham	CGS	894	5	283	-611	-611
Market Towns: St Ives	CGS	433	86	326	-107	-107
Market Towns: St Neots	CGS	1,141	-	930	-211	-211
Market Towns: Whittlesey	CGS	914	-	218	- 715	- 715
Market Towns: Wisbech	CGS	746	178	321	- 425	- 425
St Neots Masterplan	CGS	285	-	285	-	-
Total 22-23 Energy And Market Towns Capital		162,401	7,713	77,791	-88,114	-3503

Table 5 - 22-23 Energy and Market Towns Capital (N.B. CGS stands for Capital Gainshare, which is the Combined Authority's unringfenced capital funding, HUG and LAD2/3 are capital grants specifically for the relevant retrofit phases)

- 4.7 Regarding the first three Energy lines, the actual spend has reduced compared to the figures last reported to the Business Board, as several payments to the consortia have not been defrayed and have therefore been reclassified as prepayments. The project has been fraught with difficulties and the project deadline is currently under review. As a ring-fenced budget, all funds will be carried into the new fiscal year and revised budgets set once confirmation has been received from BEIS concerning the duration of the project. More detail can be found in the paper presented to the Greater Southeast Net Zero Hub Board in October 2022.
- 4.8 Post Covid-19 issues around contractors, as well as increased material costs, have impacted on project delivery across the Market Towns Programme. This has been further exacerbated by the recent cost of living crisis affecting the cost of goods and services. Project leads are having to deal with increased lead-times and costs for materials and labour. Most projects have been able to minimise this impact through extending delivery and completion dates. Officers have been working closely with each project lead to discuss and update delivery and expenditure profiles and forecast completion dates.
- 4.9 In November 2022, the Combined Authority Board will be asked to approve the updated position and the revised forecast project completion dates up to March 2024. The report confirms that 25 projects are now complete or nearing completion (53%), and 22 projects are in delivery, 10 of which will be completed before March 2023, and 12 before March 2024.

5. 2022-23 Budget and Capital Programme

- 5.1 The Business Board are asked to note the Business and Skills directorate Capital Programme in Table 6. Lines in the Business Board's remit are above the bold line.

	Approved Budget (£'000)				Total approved to spend (£'000)	Subject to Approval (£'000)				Total project budgets (£'000)
	22-23	23-24	24-25	25-26		22-23	23-24	24-25	25-26	
Barn4 specialist growing facilities	400	-	-	-	400	-	-	-	-	400
Cambridge Biomedical MO Building	185	-	-	-	185	-	-	-	-	185
Cambridge City Centre	481	-	-	-	481	-	-	-	-	481
College of West Anglia - Net Zero	274	850	876	-	2,000	-	-	-	-	2,000
Expansion of Growth Co Inward Investment	400	-	-	-	400	-	-	-	-	400
Fenland Hi-tech Futures	400	-	-	-	400	-	-	-	-	400
Growth Works Additional Equity Fund	-	-	-	-	-	950	2,850	2,850	2,850	9,500
IEG Student Space	7	30	260	99	397	-	-	-	-	397
Illumina Accelerator	1,700	-	-	-	1,700	-	-	-	-	1,700
South Fen Business Park	946	-	-	-	946	-	-	-	-	946
Start Codon (Equity)	1,475	-	-	-	1,475	-	-	-	-	1,475
The Growth Service Company	5,135	3,000	-	-	8,135	-	-	-	-	8,135
University of Peterborough Phase 3	-	-	-	-	-	-	-	-	-	-
FE Cold Spots (capital)	-	-	-	-	-	-	2,400	2,175	-	4,575
Retrofit: LAD phase 2 capital	49,984	-	-	-	49,984	-	-	-	-	49,984
Retrofit: LAD phase 3 capital	73,675	-	-	-	73,675	-	-	-	-	73,675
Retrofit: Home Upgrade Grant capital	29,610	-	-	-	29,610	-	-	-	-	29,610

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	914	-	-	-	914	-	-	-	-	914
Market Towns: Wisbech	746	-	-	-	746	-	-	-	-	746
Market Towns and Villages	-	-	-	-	-	1,250	1,250	-	-	2,500
St Neots Masterplan	215	-	-	-	215	-	-	-	-	215
Total Business and Skills	173,804	5,840	1,136	99	180,879	4,002	6,500	5,025	2,850	199,256

Table 6 – Business and Skills

6. Business Board Summary Funding Overview

6.1 A summary of the Business Board Recycled Capital & Revenue funds is set out in Table 7 below.

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
Forecast Expenditure	10,531	3,881	1,136	99	0	0	0	0

Forecast Income	-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
Forecast Expenditure	0	0	0	0	0	0	0	0
Forecast Income	-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
Forecast Expenditure	10,531	3,881	1,136	99	0	0	0	0
Forecast Income	-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 Table 7 includes all funding decisions recommended by the Business Board to date, income from the sale of the iMet building, and refunds from both the OneCAM investment and £953k of savings from the Ely Area Capacity Enhancement Programme.
- 6.3 Table 7 also includes the most recent funding award of £1.15m to the Ramsey Food Hub project, ratified at the Combined Authority Board meeting on 19 October 2022. Following on from the Business Board's decision to decline the Mega Food factory's Project Change Request (PCR), the application has now been withdrawn and will not be proceeding with any grant from the Combined Authority.
- 6.4 A summary of the Business Board Enterprise Zones Reserve Fund for the next six years is set out in Table 8 below. The opening balance figure is draft, pending the audit of the Combined Authority's accounts in November 2022, but is not expected to vary significantly.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Total Combined Authority EZ NNDR Income	-£972,176	-£1,008,968	-£1,008,968	-£1,008,968	-£1,008,968	-£1,008,968

Total Expenditure	£691,786	£832,786	£414,786	£414,786	£414,786	£414,786
Annual surplus (deficit)	-£280,390	-£176,182	-£594,182	-£594,182	-£594,182	-£594,182
Cumulative Balance	-£635,945	-£812,127	-£1,406,309	-£2,000,491	-£2,594,673	-£3,188,855

Table 8 - Forecast EZ income and expenditure (N.B. Rates figures shown are for the previous fiscal year)

- 6.5 Income for the Enterprise Zones is for a further 19-year period through to 2041/42, and should be viewed as long-term. The uncertainty in future receipts is due to them being dependent on the future expansion of businesses within the enterprise zones. The Business Board is currently entering into the fourth year of revenue of this programme, with payments being made by the collecting authority one year in arrears. NNDR figures collected from 2021-22 are being confirmed with each local authority to process payments due to the Combined Authority this fiscal year from across EZ sites.
- 6.6 Expenditure is based upon the contribution to the Department for Transport for the A14 (in the region of £100k), an annual flat fee contribution of £250k to the Business Board's running costs, three years of contribution to the Growth Service, 25% of Business Board members remuneration and expenses, and other projects approved at Business Board meetings.

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. Appendices

12.1 Appendix 1 - Greater Southeast Net Zero Hub report

13. Background Papers

13.1 None.