



Agenda Item No: 2.1

## Budget and Performance Report

To: Business Board

Meeting Date: 12 September 2022

Public report: Yes

Lead Member: Chair of the Business Board, Alex Plant

From: Interim Finance Manager, Julia Hoban

Key decision: No

Recommendations: The Business Board is recommended to:

Note the financial position as of 31<sup>st</sup> July 2022 relating to the revenue and capital funding lines within the Business & Skills Directorate.

## 1.0 Purpose

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

## 2.0 Background

- 2.1. The Business Board has requested a summary of the revenue and capital funding lines available within the Business & 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 outturn forecast reflects costs incurred to date, 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).

## 3.0 Revenue Budget 2022/23

- 3.1. A breakdown of the Business & Skills Directorate 'Business Revenue' income for the period to 31<sup>st</sup> July 2022, is set out in Table 1 below.

Table 1 - Grant Income	July budget £'000	Adj £'000	Revised budget £'000	Actual income £'000	Forecast Outturn £'000	Forecast Variance £'000	Change in Forecast Outturn £'000
Enterprise Zone receipts	-972	-	-972	-	-972	-	-
ERDF - Growth Service Grant	-2,918	-	-2,918	-	-2,918	-	-
ESF Growth Service Grant	-920	-	-920	-	-920	-	-
Growth Hub Grants	-246	-	-246	-	-246	-	-
LEP Core Funding	-375	-	-375	-	-375	-	-
<b>Total Grant Income</b>	<b>-5,431</b>	-	<b>-5,431</b>	-	<b>-5,431</b>	-	-

- 3.2. The ERDF programme has been slower to start than was anticipated, as, to a lesser extent, has the ESF, and this is reflected in both delayed grant claims (seen here) and expenditure as seen in the 'Growth Co Services' line in Table 2. This is being addressed with GEG and the consortia putting together a detailed recovery plan which may entail a project change request. A recent audit has shown the processes and procedures are robust and an extension to the end of December 2022 has been granted by the Department for Levelling Up, Housing and Communities (DLUHC).
- 3.3. The reduction in the LEP core funding grant reflected 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.

3.4. A breakdown of the Business & Skills Directorate 'Business Revenue' expenditure for the year to 31<sup>st</sup> July 2022 is show below.

<b>Table 2 - 'Business Revenue' Expenditure</b>	<b>July budget £'000</b>	<b>Adj £'000</b>	<b>Revised budget £'000</b>	<b>Actual spend £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>	<b>Change in Forecast Outturn £'000</b>
Economic Rapid Response Fund	41	-	41	5	41	-	-
Growth Co Services	5,073	-	5,073	174	5,073	-	-
Insight and Evaluation Programme	75	-	75	12	75	-	-
Local Growth Fund Costs	426	-	426	109	426	-	-
Marketing and Promotion of Services	90	-	90	-	90	-	-
P'boro Uni Quarter Masterplan	100	-	100	-	100	-	-
SPF Evidence Base & Pilot Fund	77	-	77	-	77	-	-
<b>Total BB revenue expenditure</b>	<b>5,881</b>	<b>-</b>	<b>5,881</b>	<b>300</b>	<b>5,881</b>	<b>-</b>	<b>-</b>

3.5. £2.2m of planned 2021/22 expenditure was carried over from 2021/22 due to slippage as reported the Business Board in July 2022.

3.6. As reported in July, the 2021-22 Growth Co underspend was predominantly due to the slow initiation of the ERDF funded workstream within the Growth Co, which has delayed expenditure due to some issues getting the needed quality of documentation from supported companies. As the support has been provided by Growth Co's subcontractors it is anticipated that, once the documentation process is improved, the claims will catch-up.

3.7. The Peterborough University Quarter Masterplan budget has not yet been drawn down as there have been delays in its development, this is now scheduled for the second half of 2022-23.

3.8. 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.

<b>Table 3 - Energy Revenue Expenditure</b>	<b>July budget £'000</b>	<b>Adj £'000</b>	<b>Revised budget £'000</b>	<b>Actual spend £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>	<b>Change in Forecast Outturn £'000</b>
Net Zero Hub core	2,186	-	2,186	870	2,186	-	-
COP 26	23	-	23	2	23	-	-
Retrofit - LAD Phase 2	699	-	699	196	699	-	-
Retrofit - LAD Phase 3	10,601	-	10,601	94	6,094	-4,508	-4,508
Retrofit - Sourcing Activity	699	-	699	146	699	-	-
Retrofit - Home Upgrade Grant	4,443	-	4,443	1	2,493	-1,950	-1,950
Net Zero Investment Design	1,500	-	1,500	-	1,500	-	-
Public Sector Decarbonisation	1,150	-	1,150	4	1,150	-	-
Rural Community Energy Fund	1,974	-	1,974	956	1,974	-	-
<b>Total Energy revenue expenditure</b>	<b>23,277</b>	<b>-</b>	<b>23,277</b>	<b>2,269</b>	<b>16,819</b>	<b>-6,458</b>	<b>-6,458</b>

- 3.9. There was a substantial underspend across the Net Zero Hub budgets in 2021-22, which is due to the significant problems that have been encountered on the Retrofit - LAD Phase 2 programme resulting in significant delay to delivery of the programme. An update on this, and revised delivery profiles, resulting in £96m being returned to BEIS across LAD2, LAD3 and Sourcing Activity was presented to the Combined Authority Board at its meeting on 31<sup>st</sup> July and is linked to in the background papers section.
- 3.10. The necessity to focus on recovery of the GHG phase 2 programme resource has not been available to deliver on the other, less time critical, workstreams resulting in underspends on Net Zero Investment Design, Phase 3 and Public Sector Decarbonisation. The funding for these workstreams was ringfenced and has rolled over into 2022-23 spend.
- 3.11. The Rural Communities Energy Fund programme is materially complete, with all funds awarded. There are a few claims being completed and submitted by grant recipients which will now fall into 2022-23 for payment, but this is within the grant terms so no issues are anticipated.

## 4.0 Capital Budget 2021/22

- 4.1. A breakdown of the Business & Skills Directorate 'Business Capital' expenditure to 31<sup>st</sup> July 2022 is shown below Table 4.

<b>Table 4 - 22-23 BB Capital Expenditure</b>	<b>Funding Source</b>	<b>Revised Budget £'000</b>	<b>Actual £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>	<b>Change in Forecast Outturn £'000</b>
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	-	274
Expansion of Growth Co Inward Investment	Recycled	400	-	400	-	-
Fenland Hi-tech Futures	Recycled	400	-	400	-	-
IEG Student Space	Recycled	7	-	7	-	7
Illumina Accelerator	Recycled	1,700	200	1,700	-	-
South Fen Business Park	LGF	946	-	946	-	-
Start Codon (Equity)	Recycled	1,475	-	1,475	-	-
The Growth Service Company	Mixed	5,135	454	5,135	-	-
<b>Total 22-23 BB Capital Expenditure</b>		<b>11,402</b>	<b>795</b>	<b>11,402</b>	<b>-</b>	<b>281</b>

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 five highlighted projects were approved by the Business Board within the current financial year. The Mega Factory project has not been included as there has been a subsequent change request which is reported in item 2.3 of this agenda and the result of the decision on that change request will be reflected in the next Budget and Performance Report in November 2022.
- 4.3. Table 5 below, gives an overview of the Energy & Market Towns capital budget lines which are currently outside the Business Board control and are provided for information purposes.

<b>Table 5 - 22-23 Energy and Market Towns Capital</b>	<b>Funding Source</b>	<b>Revised Budget £'000</b>	<b>Actual £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>	<b>Change in Forecast Outturn £'000</b>
Retrofit: LAD phase 2 capital	LAD 2	49,984	6,215	49,984	-	-
Retrofit: LAD phase 3 capital	LAD 3	73,675	-	34,530	-39,145	-39,145
Retrofit: Home Upgrade Grant (HUG) capital	HUG	29,610	-	14,128	-15,482	-15,482
Market Towns: Chatteris	CGS	596	122	596	-	-
Market Towns: Ely	CGS	735	-	735	-	-
Market Towns: Huntingdon	CGS	391	86	391	-	-
Market Towns: March	CGS	2,068	-	2,068	-	-
Market Towns: Ramsey	CGS	1,000	-	1,000	-	-
Market Towns: Soham	CGS	894	5	894	-	-
Market Towns: St Ives	CGS	433	86	433	-	-
Market Towns: St Neots	CGS	1,141	-	1,141	-	-
Market Towns: Whittlesey	CGS	914	-	914	-	-
Market Towns: Wisbech	CGS	746	178	746	-	-
St Neots Masterplan	CGS	215	-	215	-	-
<b>Total 22-23 Energy And Market Towns Capital</b>		<b>162,401</b>	<b>6,692</b>	<b>107,775</b>	<b>-54,627</b>	<b>-54,627</b>

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.

- 4.4. The material change in the forecast position across the capital retrofit programmes is due to delays in delivery of the LAD 2 programme and the knock-on effect this has had in reducing the LAD3 and HUG delivery window from 12 months to 6 months. The forecast underspend on these projects will result in a repayment to BEIS of £96m. This was discussed in detail in a report presented to the Combined Authority Board on 31<sup>st</sup> July 2022, and is linked within the background papers section of this report.
- 4.5. Despite close monitoring and support from the Combined Authority, the Market Town programme has slipped across all delivery partners. As the delivery partners have been issued grant funding agreements to the award values the spend is contracted for and so the budgets have been brought forward into 2022-23. Spend on some areas of the programme has started to materialise, but there are still five projects where no spend was claimed, as at the end of July.

## 5.0 Capital Programme 2022/23

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

Table 6 - Business and Skills Capital Programme	Approved Budget				Total approved to spend £'000	Subject to Approval				Total project budgets £'000
	22-23 £'000	23-24 £'000	24-25 £'000	25-26 £'000		22-23 £'000	23-24 £'000	24-25 £'000	25-26 £'000	
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
<b>Total Business and Skills</b>	<b>173,404</b>	<b>5,840</b>	<b>1,136</b>	<b>99</b>	<b>180,879</b>	<b>4,002</b>	<b>6,500</b>	<b>5,025</b>	<b>2,850</b>	<b>199,256</b>

## 6.0 Business Board Summary Funding Overview

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

Table 7 - Recycled Capital & Revenue Funds								
<b>Capital (£'000)</b>	<b>22-23</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>	<b>27-28</b>	<b>28-29</b>	<b>Later Years</b>
<b>Opening balance</b>	<b>-11,054</b>	<b>-7,110</b>	<b>-3,195</b>	<b>-1,337</b>	<b>-1,422</b>	<b>-1,606</b>	<b>-1,790</b>	<b>-1,974</b>
<b>Forecast Expenditure</b>	8,428	4,437	2,379	99	-	-	-	-
<b>Forecast Income</b>	<b>-4,485</b>	<b>-522</b>	<b>-522</b>	<b>-184</b>	<b>-184</b>	<b>-184</b>	<b>-184</b>	<b>-2,024</b>
<b>Closing Balance</b>	<b>-7,110</b>	<b>-3,195</b>	<b>-1,337</b>	<b>-1,422</b>	<b>-1,606</b>	<b>-1,790</b>	<b>-1,974</b>	<b>-3,998</b>
<b>Revenue (£'000)</b>	<b>22-23</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>	<b>27-28</b>	<b>28-29</b>	<b>Later Years</b>
<b>Opening balance</b>	<b>-90</b>	<b>-345</b>	<b>-461</b>	<b>-551</b>	<b>-624</b>	<b>-691</b>	<b>-754</b>	<b>-812</b>
<b>Forecast Expenditure</b>	-	-	-	-	-	-	-	-
<b>Forecast Income</b>	<b>-255</b>	<b>-117</b>	<b>-89</b>	<b>-73</b>	<b>-68</b>	<b>-63</b>	<b>-58</b>	<b>-321</b>
<b>Closing Balance</b>	<b>-345</b>	<b>-461</b>	<b>-551</b>	<b>-624</b>	<b>-691</b>	<b>-754</b>	<b>-812</b>	<b>-1,133</b>
<b>Combined (£'000)</b>	<b>22-23</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>	<b>27-28</b>	<b>28-29</b>	<b>Later Years</b>
<b>Opening balance</b>	<b>-11,144</b>	<b>-7,455</b>	<b>-3,656</b>	<b>-1,888</b>	<b>-2,045</b>	<b>-2,297</b>	<b>-2,544</b>	<b>-2,786</b>
<b>Forecast Expenditure</b>	8,428	4,437	2,379	99	0	0	0	0
<b>Forecast Income</b>	<b>-4,739</b>	<b>-638</b>	<b>-611</b>	<b>-257</b>	<b>-252</b>	<b>-247</b>	<b>-242</b>	<b>-2,345</b>
<b>Closing Balance</b>	<b>-7,455</b>	<b>-3,656</b>	<b>-1,888</b>	<b>-2,045</b>	<b>-2,297</b>	<b>-2,544</b>	<b>-2,786</b>	<b>-5,131</b>

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, which the Combined Authority was informed of since the previous Business Board meeting (more detail is provided in Agenda Item 2.2).

6.3. 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.

Table 8 – Forecast enterprise zone income and expenditure						
<b>£000's</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Opening Balance</b>	<b>-148</b>	<b>-429</b>	<b>-605</b>	<b>-1,199</b>	<b>-1,793</b>	<b>-2,387</b>
<b>Forecast Income</b>	<b>-972</b>	<b>-1,009</b>	<b>-1,009</b>	<b>-1,009</b>	<b>-1,009</b>	<b>-1,009</b>
<b>Total Expenditure</b>	692	833	415	415	415	415
<b>Annual surplus</b>	<b>-280</b>	<b>-176</b>	<b>-594</b>	<b>-594</b>	<b>-594</b>	<b>-594</b>
<b>Closing Balance</b>	<b>-429</b>	<b>-605</b>	<b>-1,199</b>	<b>-1,793</b>	<b>-2,387</b>	<b>-2,982</b>



- 6.4. Income for the Enterprise Zones is for a further 19-year period through to 2041/42, and should be viewed as long term, and note the uncertainty in future receipts as they are dependent on the future expansion of businesses within the enterprise zones. The Business Board is currently entering the fourth year of revenue of this programme, with payments being made by local councils one year in arrears.
- 6.5. 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 & expenses and other projects approved at Business Board meetings.

## Significant Implications

### 7.0 Financial Implications

- 7.1. There are no significant financial implications.

### 8.0 Legal Implications

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

### 9.0 Public Health implications

- 9.1. There are no significant public health implications.

### 10.0 Environmental and Climate Change Implications

- 10.1. There are no significant environmental and climate change implications.

### 11.0 Other Significant Implications

- 11.1. There are no other significant implications.

### 12.0 Background Papers

- 12.1. [Link to the Agenda for the Combined Authority Board meeting on the 31<sup>st</sup> July. Items 2.1 and 2.2 refer.](#)