



Agenda Item No: 2.1

## Budget and Performance Report

To: Business Board

Meeting Date: 9 January 2023

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 YTD 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 October 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 31<sup>st</sup> October 2022, is set out in Table 1 below.

	Revised budget	Actual income	Forecast Outturn	Forecast Variance	Change in Forecast Outturn
Table 1 - Grant income	£'000	£'000	£'000	£'000	£'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	-	-

- 3.2 Similar to the previous update, the ERDF and ESF programmes have been slower to start than was anticipated. 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, albeit in early November, so the results are not seen here. Q4 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 Q1 – Q3 2022 (January 2022 – Sept 2022) are submitted.
- 3.3 Although not reflected in Table 1, more recently the ESF programme has had Q1 FY 22-23 claim submitted today – if ESF approve, 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 current year's allocation for LEP Core Funding is still paused by DLUHC. Although the improvement plan has been agreed by the Combined Authority Board, as discussed at the Business Board's workshop, the way forward is still to be confirmed.
- 3.5 Enterprise Zone NNDR receipts – Councils are being invoiced (still waiting East Cambridgeshire District Council to confirm) but payments will be coming in Q4.
- 3.6 Growth hub grants (Department for Business, Energy and Industrial Strategy (BEIS)) – the error relating to Q1 has 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. The impasse concerning defrayal evidence has been overcome and all relevant documents forwarded to RSM. Accordingly, it is anticipated that current year funding will be granted in January 2023.
- 3.7 A breakdown of the Business and Skills Directorate's 'Business Revenue' expenditure for the year to 31 October 2022 is shown in Table 2 below (the adjustment column has been omitted as there are no changes to the budget since the last paper):

Table 2 - 'Business Revenue' Expenditure	Revised budget £'000	Actual spend £'000	Forecast Outturn £'000	Forecast Variance £'000	Change in Forecast Outturn £'000
Economic Rapid Response Fund	41	26	41	-	-
Growth Co Services	5,073	310	5,073	-	-
Insight and Evaluation Programme	75	12	75	-	-
Local Growth Fund Costs	426	207	426	-	-
Marketing and Promotion of Services	90	-	90	-	-
P'boro Uni Quarter Masterplan	100	100	100	-	-
SPF Evidence Base and Pilot Fund	77	-	77	-	-
Total BB revenue expenditure	5,881	655	5,881	-	-

- 3.8 As presented at the Business Board's last meeting, the 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 getting 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, so this will show up in the next set of accounts. 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 now. Metro Dynamics consultancy costs have also been processed and entered into the accounts.
- 3.9 Insight and evaluation programme – following slow expenditure to date, Growth Works have confirmed that the remainder is profiled to slip into next year and has been profiled as such in the updated Growth Co. Business plan.
- 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, and the Combined Authority will be billed for work completed to-date as well as going forward. Accordingly, spend on these budgets will accelerate via Metro Dynamics, to assist with Business Board improvements – whilst headroom has been confirmed across the various areas, an improvement plan resource request has been entered to provide £60k to cover the eventuality of any overspending.

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's budget directly. There otherwise does not appear to be any earmarked expenditure.

3.12 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.

Table 3 - Energy revenue expenditure	Revised budget £'000	Actual spend £'000	Forecast Outturn £'000	Forecast Variance £'000	Change in Forecast Outturn £'000
Net Zero Hub core	2,186	457	2,186	-	-
COP 26	23	18	23	-	-
Retrofit - LAD Phase 2	699	327	699	-	-
Retrofit - LAD Phase 3	10,601	533	6,094	-4,508	-
Retrofit - Sourcing Activity	-	-	-	-	-
Retrofit - Home Upgrade Grant	4,443	90	2,493	-1,950	-
Net Zero Investment Design	1,500	600	1,500	-	-
Public Sector Decarbonisation	1,150	24	1,150	-	-
Rural Community Energy Fund	1,974	1,341	1,974	-	-
Total Energy revenue expenditure	22,578	3,390	16,120	-6,458	-

3.13 Commentary on the variances between the revenue outturn position and the annual budget will be provided at the Business Board's next meeting, as there was not a formal update at the last Energy Board.

## 4. 2022/23 Capital Budget

4.1 A breakdown of the Business and Skills Directorate 'Business Capital' expenditure for the year to 31 October 2022 is shown below. As there have been no changes to the budget since the November report to the Business Board, the budget adjustment columns have been omitted.

Table 4 - 22-23 BB Capital Expenditure	Funding Source	Revised Budget £'000	Actual £'000	Forecast Outturn £'000	Forecast Variance £'000	Change in Forecast Outturn £'000
Barn4 specialist growing facilities	Recycle	400	-	400	-	-
Cambridge Biomedical MO Building	LGF	185	185	185	-	-
Cambridge City Centre	LGF	481	-	-	-481	-481
College of West Anglia - Net Zero	Recycle	274	-	274	-	-
Expansion of Growth Co Inward Investment	Recycle	400	-	400	-	-
Fenland Hi-tech Futures	Recycle	400	-	400	-	-
IEG Student Space	Recycle	7	-	7	-	-
Illumina Accelerator	Recycle	1,700	400	900	-800	-800
South Fen Business Park	LGF	946	-	-	-946	-946
Start Codon (Equity)	Recycle	1,475	-	500	-975	-975
The Growth Service Company	Mixed	5,135	454	5,135	-	-
<b>Total 22-23 BB Capital Expenditure</b>		<b>11,402</b>	<b>1,039</b>	<b>8,201</b>	<b>-3,202</b>	<b>-3,202</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 There are several new projects due to the call for submissions for recycled LGF. Although not reflected in the October cut of data above, all but one of the LGF projects have completed spend. Following the deemed to be unviable change request for South Fens Business Park, the earmarked funding has been returned to the recycled pot.
- 4.3 IEG Student Space – following the completion of the October accounts, there was a £291k claim (out of a 397k allocation), representing an acceleration vis the original claim profile and 90% of the phase one costs. Following a comprehensive review of the LGF, the profile and budget will be updated accordingly for the next meeting.
- 4.4 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.
- 4.5 Cambridge Biomedical spent to budget in September. Cambridge City Centre will likely incur wholesale slippage into next fiscal year. Although there have been claim forms being processed this fiscal year, there was no formal slippage ratified in last year's MTFP process, and therefore this spend is allocated against last year's budget.
- 4.6 The Growth Service capital spend is behind forecast because of the late re-start 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.

- 4.7 Table 5 below gives 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.

Table 5 - 22-23 Energy and Market Towns Capital	Funding Source	Revised Budget £'000	Actual £'000	Forecast Outturn £'000	Forecast Variance £'000	Change in Forecast Outturn £'000
Retrofit: LAD phase 3 capital	LAD 3	29,842	125	29,247	-595	-
Retrofit: Home Upgrade Grant capital	HUG	10,824	44	10,824	-	-
Market Towns: Chatteris	CGS	596	127	173	-423	-201
Market Towns: Ely	CGS	735	12	740	5	22
Market Towns: Huntingdon	CGS	391	86	951	560	625
Market Towns: Littleport	CGS	-	-	-	-	-
Market Towns: March	CGS	2,068	-	900	-1,168	-1,168
Market Towns: Ramsey	CGS	1,000	190	190	-810	-20
Market Towns: Soham	CGS	894	80	316	-578	33
Market Towns: St Ives	CGS	433	86	428	-5	102
Market Towns: St Neots	CGS	1,141	-	-	-1,141	-930
Market Towns: Whittlesey	CGS	914	-	233	-681	15
Market Towns: Wisbech	CGS	746	325	646	-100	325
St Neots Masterplan	CGS	215	-	285	70	70
Total 22-23 Energy and Market Towns Capital		66,432	15,356	60,235	-6,199	-1,127

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.

- 4.8 Regarding the first three Energy lines, an update will be provided at the next meeting due to the lack of a formal update at the last Energy Board meeting.
- 4.9 Market Towns - Unfortunately, post Covid-19 issues around contractors and increased material costs have impacted on project delivery across the Programme. This has been further exacerbated by the recent 'cost of living' crisis affecting the cost of goods and services.
- 4.10 In November, the Combined Authority Board approved 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.
- 4.11 There were significant reallocations of programme funding for Whittlesey Heritage Centre (project 6) and Chatteris Museum and Community Centre (project 41). For the former, Fenland District Council requested the £195k funding from the cancelled Whittlesey Heritage Centre be recycled against four proposed community projects. For the latter, a funding gap of £300k was estimated and the Business Board approved the reallocation of underspend from 'closed or completed' projects to cover the gap. Additionally, subject to

Combined Authority PARC and CFO sign-off, underspend can also be diverted towards any other 'in delivery' projects requiring additional funds within the Programme portfolio.

## 5. 2022-23 Budget and Capital Programme

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

	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	
<b>Business and Skills</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	400	-	-	-	400	-	-	-	-	400
Growth Works Additional Equity Fund	400	-	-	-	400	-	-	-	-	400
IEG Student Space	-	-	-	-	-	950	2,850	2,850	2,850	9,500
Illumina Accelerator	7	30	260	99	397	-	-	-	-	397
South Fen Business Park	1,700	-	-	-	1,700	-	-	-	-	1,700
Start Codon (Equity)	946	-	-	-	946	-	-	-	-	946
The Growth Service Company University of Peterborough Phase 3	1,475	-	-	-	1,475	-	-	-	-	1,475
	5,135	3,000	-	-	8,135	-	-	-	-	8,135
	-	-	-	-	-	-	-	-	-	-
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	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>78,484</b>	<b>6,549</b>	<b>1,283</b>	<b>99</b>	<b>86,415</b>	<b>4,002</b>	<b>6,500</b>	<b>5,025</b>	<b>2,850</b>	<b>104,792</b>

## 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:

Table 7 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

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 It 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 the Business Board's decision to decline the Mega Food factory's Project Change Request (PCR), they have now withdrawn the application 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, but is not expected to vary significantly



Table 8 - Forecast EZ income and expenditure	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
TOTAL CPCA 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

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, with uncertainty in future receipts as they are 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. Background Papers

12.1 None