



Agenda Item No: 2.1

## Budget and Performance Report

To:	Business Board
Meeting Date:	14 September 2021
Public report:	Yes
Lead Member:	Chair of the Business Board, Austen Adams
From:	Finance Manager, Vanessa Ainsworth
Key decision:	No
Recommendations:	<p>The Business Board is recommended to:</p> <ul style="list-style-type: none"><li>a) Note the outturn financial position relating to the revenue and capital funding lines within the Business &amp; Skills Directorate for the 20/21 financial year;</li><li>b) Advise officers whether to include Market Towns and Energy Capital programmes in their financial reporting going forward;</li><li>c) Note the increase in the Growth Hub Funding; and</li><li>d) Recommend to the Combined Authority Board that the increased Growth Hub budget and requirements be delivered via the Cambridgeshire &amp; Peterborough Business Growth Company (Growth Co.), as detailed in section 6 of the report.</li></ul>

# 1. Purpose

- 1.1. To provide an update and overview of the revenue and capital funding lines that are within the Business & 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 & 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 At its meeting on 27 January 2021, the Combined Authority Board approved a Medium-Term Financial Plan (MTFP) which includes balanced revenue and capital budgets for 2021/22. This report shows the actual expenditure to date and forecast outturn position against those budgets.
- 2.3 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 MTFP.

# 3. 2021/22 Revenue Budget

- 3.1 A breakdown of the Business & Skills Directorate 'Business Revenue' income for the period to 31 July 2021 is set out in Table 1 below.

Table 1. Business Board Revenue Income Budgets 2021/22

Business Board Revenue Funding Streams	June Budget £'000	July Board Approvals & Adjustments £'000	Revised Budget £'000	Budget to 31st Jul 2021 £'000	Actuals to 31st Jul 2021 £'000	Forecast Outturn £'000	Forecast Outturn Variance £'000
Enterprise Zone Receipts	(1,208.8)	-	(1,208.8)		-	(1,208.8)	-
ERDF - Growth Service Grant	(1,500.0)	-	(1,500.0)	-	-	(1,500.0)	-
ESF Growth Service Grant	(600.0)	-	(600.0)	(200.0)	-	(600.0)	-
Growth Hub Grants	(246.0)	-	(246.0)	(128.0)	(128.0)	(536.5)	(290.5)
LEP Core Funding	(500.0)	-	(500.0)	(500.0)	-	(500.0)	-
<b>Total Business Board Revenue Income</b>	<b>(4,054.8)</b>	<b>-</b>	<b>(4,054.8)</b>	<b>(828.0)</b>	<b>(128.0)</b>	<b>(4,345.3)</b>	<b>(290.5)</b>

- 3.2 The forecast outturn shows an increase in expected income for the year of £290.5k compared to the budget. 'Actual' figures are based on payments made and accrued income where known.
- i) Growth Hub grants reflects the increase in funding from the Department for Business, Energy & Industrial Strategy (BEIS) for the current financial year as detailed in Item 6 of this report.
- 3.3 On 27 July 2021 a letter was sent to all Local Enterprise Partnership (LEP) Chief Executives confirming the release of the first six-months' worth of the 2021-22 LEP core funding grant on the basis "That [the Ministry of Housing, Communities and Local Government (MHCLG)] will use the LEP review process to collect further financial data on

LEP performance, to inform decisions on funding for the remaining 6 months”. We have yet to receive a request for further financial information so it is currently not known what MHCLG’s requirements for release of the second £250k tranche will be.

3.4 While loss of this income could have a significant impact on the Business Board’s capacity were all else to remain the same, the review of the grant funding is tied up with the larger piece of work on the Levelling Up White Paper and the LEP Review and the impact of these is currently unknown.

3.5 A breakdown of the Business & Skills Directorate ‘Business Revenue’ expenditure for the period to 31 July 2021, is set out in Table 2 below.

Table 2. Business Board Revenue Expenditure Budgets 2021/22

Business Board Revenue Expenditure	July Board Approvals & Adjustments			Budget to 31st Jul 2021 £'000	Actuals to 31st Jul 2021 £'000	Forecast Outturn £'000	Forecast Outturn Variance £'000
	June Budget £'000	£'000	Revised Budget £'000				
Business Board Annual Report	-	15.0	15.0	-	-	15.0	-
Business Board Effectiveness Review	-	35.0	35.0	-	-	35.0	-
Economic Rapid Response Fund	150.0	-	150.0	37.5	25.0	150.0	-
Enterprise Zone Investment	50.0	-	50.0	-	-	50.0	-
Growth Co Services	3,131.7	200.0	3,331.7	1,177.6	46.0	3,331.7	-
HPC study and roadmap	-	46.0	46.0	-	-	46.0	-
Insight and Evaluation Programme	82.5	-	82.5	7.5	-	82.5	-
Local Growth Fund Costs	371.2	189.0	560.2	108.6	126.8	520.0	(40.2)
Market Town and Cities Strategy	120.9	-	120.9	7.1	15.8	120.9	-
Marketing and Promotion of Services	97.8	-	97.8	30.5	20.6	97.8	-
Peterborough University Quarter Masterplan	-	100.0	100.0	-	-	100.0	-
Shared Prosperity Fund Evidence Base & Pilot Fund	100.0	-	100.0	-	-	100.0	-
St Neots Masterplan	219.4	4.6	224.0	45.0	1.8	224.0	-
Trade and Investment Programme	32.5	-	32.5	32.5	-	32.5	-
Visitor Economy and R&R Grants	7.6	-	7.6	7.6	7.3	7.3	(0.3)
<b>Total Skills Revenue Expenditure</b>	<b>4,363.6</b>	<b>589.6</b>	<b>4,953.2</b>	<b>1,453.9</b>	<b>243.3</b>	<b>4,912.7</b>	<b>(40.5)</b>

3.6 Variances between the revenue outturn position and the annual budget are set out below:

- i) Local Growth Fund Costs is currently forecasting a £40.2k underspend for the year. This is due to uncommitted funds for legal costs, which may alter during the year dependent on the outcome of certain projects.
- ii) A number of projects were only approved at the last meeting and have therefore not yet spent any funds but these have primarily been committed.
- iii) Growth Co. Services are showing a small spend so far this year which is due to the legal arrangements for the contracts and services still being drawn up to enable the transfer of funds from the CPCA to Growth Co. Just over £1.1m of funding has not yet been transferred across for services that are being delivered. This is impacting on the service provision of Growth Co. and it is anticipated these agreements will be finalised prior to the next meeting.

3.7 The current approved Revenue MTFP is shown below in Table 3, enabling the Business Board to understand the current and future approved expenditure.

**Table 3. 2021/22 Budget and MTFP**

	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's
Business Rebound & Growth Service	3,224	3,139	795	-
Business Board Annual Report	15	-	-	-
Business Board Effectiveness Review	35	-	-	-
Economic Rapid Response	150	150	200	200
Enterprise Zone Investment	50	-	-	-
Growth Hub	-	-	123	246
HPC study and roadmap	46	-	-	-
Insight & Evaluation Programme	83	75	75	75
Local Growth Fund Costs	560	558	-	-
Market Towns & Cities Strategies	121	-	-	-
Marketing and Promotion of Services	98	90	90	90
Peterborough University Quarter Masterplan	100	-	-	-
Shared Prosperity Fund Evidence Base & Pilot Fund	100	-	-	-
St Neots Masterplan	224	-	-	-
Trade and Investment Programme	33	-	-	-
Visitor Economy and R&R Grants	8	-	-	-
<b>Total Business &amp; Skills Approved Budgets</b>	<b>4,845</b>	<b>4,012</b>	<b>1,283</b>	<b>611</b>
<b>Total Business &amp; Skills Subject to Approval</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Business &amp; Skills Revenue Expenditure</b>	<b>4,845</b>	<b>4,012</b>	<b>1,283</b>	<b>611</b>

## 4. 2021/22 Capital Budget

4.1 A breakdown of the Business & Skills Directorate 'Business Capital' income for the period to 31 July 2021, is set out in Table 4 below.

Table 4. Business Board Capital Income Budgets 2021/22

Business Board Capital Funding Streams	June Budget £'000	July Board Approvals & Adjustments £'000	Revised Budget £'000	Budget to 31st Jul 2021 £'000	Actuals to 31st Jul 2021 £'000	Forecast Outturn £'000	Forecast Outturn Variance £'000
Getting Building Fund	(7,300.0)	-	(7,300.0)	(7,300.0)	(7,300.0)	(7,300.0)	-
<b>Total Business Board Capital Income</b>	<b>(7,300.0)</b>	<b>-</b>	<b>(7,300.0)</b>	<b>(7,300.0)</b>	<b>(7,300.0)</b>	<b>(7,300.0)</b>	<b>-</b>

4.2 A breakdown of the Business & Skills Directorate 'Business Capital' expenditure for the period to 31 July 2021, is set out in Table 5 below.

Business Board Capital Programmes	July Board Approvals & Adjustments		Revised Budget	Budget to 31st Jul 2021	Actuals to 31st Jul 2021	Forecast Outturn	Forecast Outturn Variance
	June Budget	Adjustments	Budget	£'000	£'000	£'000	£'000
AEB Innovation Fund (LGF)	323.7	-	323.7	319.1	77.4	319.1	4.6
Cambridge Biomedical MO Building (LGF)	1,702.3	-	1,702.3	450.0	21.1	1,702.3	-
Cambridge City Centre (LGF)	691.2	-	691.2	150.0	25.9	691.2	-
CRC Construction and Digital Refurbishment (LGF)	910.8	-	910.8	500.0	447.2	910.8	-
Eastern Agritech Initiative (LGF)	100.0	-	100.0	123.5	43.2	215.0	(115.0)
Ely Area Capacity (Recycled)	-	-	-	-	201.5	192.4	(192.4)
Illumina Accelerator (Recycled)	1,000.0	-	1,000.0	-	-	1,000.0	-
March Adult Education (LGF)	313.9	-	313.9	313.9	309.1	313.9	-
Metalcraft (Advanced Manufacturing) (LGF)	2,978.9	-	2,978.9	750.0	335.3	2,978.9	-
Peterborough City Centre (LGF)	680.8	-	680.8	95.0	44.5	680.8	-
South Fen Business Park (LGF)	997.0	-	997.0	450.0	-	997.0	-
Start Codon (Equity) (Recycled)	2,225.6	-	2,225.6	250.0	160.6	2,225.6	-
Business Rebound & Growth Service - Capital Grant	3,000.0	-	3,000.0	1,500.0	-	3,000.0	-
TTP Incubator (LGF)	33.2	-	33.2	33.2	33.2	33.2	-
University of Peterborough Phase 2 (GBF)	14,600.0	-	14,600.0	14,600.0	14,600.0	14,600.0	-
<b>Total Skills Capital Expenditure</b>	<b>29,557.4</b>	<b>-</b>	<b>29,557.4</b>	<b>19,534.7</b>	<b>16,299.1</b>	<b>29,860.2</b>	<b>(302.8)</b>

4.3 Variances between the revenue outturn position and the annual budget are set out below:

- i) AEB Innovation Fund will underspend by £4.6k due to the allocation of projects. Any underspend will be transferred into the Recycled Funds upon completion of all the projects.
- ii) Eastern Agritech is forecasting an overspend against budget of £115k. This is due to several projects being granted extensions beyond the original March 2021 funding deadline. These costs are covered by the corresponding underspend of these projects in 2020-21

4.4 The current approved Capital MTFP is shown below in Table 6 enabling the Business Board to understand the current and future approved expenditure.

**Table 6. 2021/22 Capital Budget and MTFP**

	2021/22	2022/23	2023/24	2024/25
	£,000's	£,000's	£,000's	£,000's
<b>AEB Innovation Fund</b>				
Approved Project Costs	324	-	-	-
<b>Cambridge Biomedical MO Building</b>				
Approved Project Costs	1,702	-	-	-
<b>Cambridge City Centre</b>				
Approved Project Costs	691	-	-	-
<b>CRC Construction and Digital Refurbishment</b>				
Approved Project Costs	911	-	-	-
<b>Eastern Agritech Initiative</b>				
Approved Project Costs	100	-	-	-
<b>Ely Area Capacity - Funded by Recycled Funds</b>				
Approved Project Costs	-	-	-	-
<b>Illumina Accelerator</b>				
Approved Project Costs	1,000	1,000	-	-
<b>March Adult Education</b>				
Approved Project Costs	314	-	-	-
<b>Metalcraft (Advanced Manufacturing)</b>				
Approved Project Costs	2,979	-	-	-
<b>Peterborough City Centre</b>				
Approved Project Costs	681	-	-	-
<b>South Fen Business Park</b>				
Approved Project Costs	997	-	-	-
<b>Start Codon (Equity)</b>				
Approved Project Costs	2,226	-	-	-
<b>Business Rebound &amp; Growth Service - Capital Grant and Equity Fund</b>				
Approved Project Costs	3,000	3,000	3,000	-
<b>TTP Incubator</b>				
Approved Project Costs	33	-	-	-
<b>Getting Building Fund - University of Peterborough Phase 2</b>				
Approved Project Costs	14,600	-	-	-
<b>Total Approved Business and Skills Capital Projects</b>	<b>29,234</b>	<b>4,000</b>	<b>3,000</b>	<b>-</b>
<b>Total Business and Skills Project Costs Subject to Approval</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Business and Skills Capital Projects</b>	<b>29,234</b>	<b>4,000</b>	<b>3,000</b>	<b>-</b>

4.5 The Market Towns, and Energy Capital, projects have not been included within this report as the funding for these programmes does not come from Business Board funds. The Business Board are asked whether they wish to have reporting on these areas included within their reports or are content to review the reporting available publicly to the Combined Authority Board.

## 5. Business Board Summary Funding Overview

5.1 A summary of the Business Board 'Recycled Capital & Revenue' funds for the next ten years, is set out in Table 7 below.

Table 7. Recycled Capital &amp; Revenue Funds

Recycled Capital	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	Later Years
<b>Opening balance</b>	<b>-9,188,924</b>	<b>-10,848,755</b>	<b>-10,491,484</b>	<b>-8,921,412</b>	<b>-2,953,800</b>	<b>-191,900</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-26,585</b>	<b>-210,585</b>
Forecast Expenditure	1,340,170	382,271	1,747,452	6,914,182	3,950,000	750,000	554,664	184,000	184,000	157,415	0	0
Forecast Income	-3,000,000	-25,000	-177,380	-946,570	-1,188,100	-558,100	-554,664	-184,000	-184,000	-184,000	-184,000	-2,024,000
<b>Closing Balance</b>	<b>-10,848,755</b>	<b>-10,491,484</b>	<b>-8,921,412</b>	<b>-2,953,800</b>	<b>-191,900</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-26,585</b>	<b>-210,585</b>	<b>-2,234,585</b>
<b>Recycled Revenue</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</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>0</b>	<b>0</b>	<b>-3,300</b>	<b>-159,947</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-62,951</b>	<b>-120,645</b>
Forecast Expenditure	0	0	0	606,599	240,219	120,350	90,568	72,678	67,757	0	0	0
Forecast Income	0	-3,300	-156,646	-446,652	-240,219	-120,350	-90,568	-72,678	-67,757	-62,951	-57,694	-321,371
<b>Closing Balance</b>	<b>0</b>	<b>-3,300</b>	<b>-159,947</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-62,951</b>	<b>-120,645</b>	<b>-442,016</b>
<b>Combined</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</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>-9,188,924</b>	<b>-10,848,755</b>	<b>-10,494,785</b>	<b>-9,081,359</b>	<b>-2,953,800</b>	<b>-191,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-89,536</b>	<b>-331,229</b>
Forecast Expenditure	1,340,170	382,271	1,747,452	7,520,781	4,190,219	870,350	645,233	256,678	251,757	157,415	0	0
Forecast Income	-3,000,000	-28,300	-334,026	-1,393,222	-1,428,319	-678,450	-645,233	-256,678	-251,757	-246,951	-241,694	-2,345,371
<b>Closing Balance</b>	<b>-10,848,755</b>	<b>-10,494,785</b>	<b>-9,081,359</b>	<b>-2,953,800</b>	<b>-191,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-89,536</b>	<b>-331,229</b>	<b>-2,676,601</b>

5.2 The table has not changed since it was last presented to the Business Board. There are two items which are expected to contribute to the Recycling Fund in the near future however the amounts are not yet finalised and so have not yet been recognised:

- i) Following the recommendation from the Business Board to reject the project change request for the Wisbech Access Strategy, Business Board officers are working with the Combined Authority's transport team to establish what the final amount spent on Wisbech Access Strategy attributable to Local Growth Funds is. This is expected to result in c.£4m being returned to the recycled funds.
- ii) At time of writing it is expected that the Business Board will have received a report on its options regarding the iMet building before their scheduled September meeting, should the sale of the building complete this is expected to return c. £2.4m to recycled capital funds.

5.3 A summary of the Business Board 'Enterprise Zones' Reserve Fund for the next ten years, is set out in Table 8 below.

Table 8. Business Board Enterprise Zones Reserve Fund Summary

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Totals
<b>TOTAL CPCA EZ NNDR INCOME</b>	<b>£235,792</b>	<b>£548,649</b>	<b>£860,673</b>	<b>£972,176</b>	<b>£1,008,968</b>	<b>£1,008,968</b>	<b>£1,008,968</b>	<b>£1,008,968</b>	<b>£1,008,968</b>	<b>£2,617,290</b>
<b>Total Expenditure</b>	<b>-£279,354</b>	<b>-£363,290</b>	<b>-£690,477</b>	<b>-£691,786</b>	<b>-£832,786</b>	<b>-£414,786</b>	<b>-£414,786</b>	<b>-£414,786</b>	<b>-£414,786</b>	<b>-£4,237,483</b>
<b>Annual surplus (deficit)</b>	<b>£0</b>	<b>£185,358</b>	<b>£170,196</b>	<b>£280,390</b>	<b>£176,182</b>	<b>£594,182</b>	<b>£594,182</b>	<b>£594,182</b>	<b>£594,182</b>	<b>£3,188,855</b>
<b>CUMULATIVE BALANCE</b>	<b>£0</b>	<b>£185,358</b>	<b>£355,555</b>	<b>£635,945</b>	<b>£812,127</b>	<b>£1,406,309</b>	<b>£2,000,491</b>	<b>£2,594,673</b>	<b>£3,188,855</b>	<b>£1,568,661</b>

5.4 Income for the Enterprise Zones is for a 25-year period through to 2041/42 and should be viewed as long term. The Business Board is currently entering into the third year of revenue of this programme with payments being made by local councils one year in arrears.

5.5 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 and expenses, and other projects approved at the last Business Board meeting.

5.6 Business Board Equity Investment data was provided at the last Business Board meeting, and work is currently underway with the companies to establish realistic exit deadlines and potential worth to the Business Board. It is envisaged that this information will be available for the Business Board's next meeting to provide visibility of its investments.

## 6. Growth Hub Funding Increase

- 6.1 The MTFP provisioned for the BEIS Core Funding of the Growth Hub at £246k. This was based on the annual amount that had been awarded for the Growth Hub prior to 2020-21.
- 6.2 In 2020-21 BEIS provided an additional £290k of Supplemental Funding for Growth Hubs and BEIS have since decided to continue with the Supplemental Funding for 21/22 and have rolled both the Core funds and Supplemental funds into one grant totalling £537k. The grant has been accepted by the Combined Authority's Chief Finance Officer.
- 6.3 As the Growth Company are contracted to deliver the Growth Hub on behalf of the Combined Authority, it is intended that the agreement with the Growth Company will be expanded to incorporate the additional funding and outcomes required for it. A contractual amendment will be created upon formal acceptance.
- 6.4 The Business Board is advised to note the acceptance of the additional funding and recommend the Combined Authority Board approve the corresponding increase in budget and contract value to Growth Co.

## Significant Implications

### 7. Financial Implications

- 7.1 There are no financial implications other than those included in the main body of the report.

Financial change summary (£'000)			2021-22	2022-23	2023-24	2024-25
Existing MTFP	Growth Hub Grants	Approved	<b>-246</b>	<b>-246</b>	<b>-246</b>	<b>-246</b>
		STA	-	-	-	-
	Business Rebound & Growth Service	Approved	<b>2,630</b>	<b>3,639</b>	<b>2,785</b>	-
		STA	-	-	-	-
<b>Change Requested</b>						
Change Requested	Growth Hub Grants	Approved	<b>-290.5</b>	-	-	-
		STA	-	-	-	-
	Business Rebound & Growth Service	Approved	<b>290.5</b>	-	-	-
		STA	-	-	-	-
<b>Revised MTFP</b>						
Revised MTFP	Growth Hub Grants	Approved	<b>-536.5</b>	-	-	-
		STA	-	-	-	-
	Business Rebound & Growth Service	Approved	<b>2,920.5</b>	<b>3,639</b>	<b>2,785</b>	-
		STA	-	-	-	-

### 8. Legal Implications

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



## 9. Other Significant Implications

9.1 There are no significant implications

## 10. Background Papers

10.1 [Budget Performance Report – Skills Committee \(13<sup>th</sup> September 2021\)](#)