



Agenda Item No: 2.1

Budget and Performance Report

To:	Business Board
Meeting Date:	11 July 2022
Public report:	Yes
Lead Member:	Acting Chair of the Business Board, Andy Neely
From:	Business Board Section 73 Officer, Robert Emery
Key decision:	No
Recommendations:	<p>The Business Board is recommended to:</p> <ul style="list-style-type: none">a) Note the outturn financial position relating to the revenue and capital funding lines within the Business and Skills directorate for the 2021/22 financial year; andb) Note the anticipated opening budget position for 2022/23

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 in making informed decisions 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 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. 2021/22 Revenue Budget

- 3.1 A breakdown of the Business and Skills directorate's 'Business Revenue' income for the period to 31 January 2022 is set out in Table 1 below. As there have been no changes to the budget since the March report to the Business Board, the 'Mar budget' and 'Board Adjusts' columns have been omitted.

	Outturn Budget	Outturn Income	Variance
	£'000	£'000	£'000
Enterprise Zone Receipts	-1,209	-527	682
ERDF - Growth Service Grant	-1,500	-82	1,418
ESF Growth Service Grant	-600	-480	120
Growth Hub Grants	-537	-529	8
LEP Core Funding	-500	-500	-
Total Revenue Income	-2,637	-1,091	1,546

- 3.2 There are three material variances on the Business Board's income sources in 2021-22:
- 3.3 The European Regional Development Funding (ERDF) programme has been slower to start than was anticipated, as has the European Social Fund (ESF) to a lesser extent, 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.

- 3.4 The variance on the Enterprise Zone receipts line is due to a budgeting error. The £660k income listed for 2021-22 in Table 10 will be received in arrears during 2022-23 and should not have been included in the 2021-22 budget here. This income is therefore still expected to be received and does not represent a gap in the Business Board's enterprise zone receipt budget.
- 3.5 A breakdown of the Business and Skills directorate's 'Business Revenue' expenditure for the year to 31st March 2022 is show in Table 2 below:

Table 2 – 'Business Revenue' expenditure						
	Mar Budget	Board Adjusts	Revised Budget	Outturn Spend	Variance	Requested Carry-forward
	£'000	£'000	£'000	£'000	£'000	£'000
Business Board Annual Report	30	-	30	15	-15	-
Business Board Effectiveness Review	20	-	20	15	-5	-
Economic Rapid Response Fund	150	-	150	109	-41	41
Enterprise Zone Investment	50	-	50	24	-26	-
Growth Co Services	3,223	-	3,223	1,095	-2,128	2,036
HPC study & roadmap	46	-	46	35	-11	-
Insight & Evaluation Programme	83	-	83	83	-	-
Local Growth Fund Costs	560	-110	450	414	-36	-
Market Towns & Cities Strategy	121	-	121	86	-35	35
Marketing & Promotion of Services	128	-	128	128	-	-
P'boro Uni Quarter Masterplan	100	-	100	-	-100	100
SPF Evidence Base & Pilot Fund	100	-	100	23	-77	77
St Neots Masterplan	224	-	224	224	-	-
Trade & Investment Programme	33	-	33	33	-	-
Visitor Economy & R&R Grants	8	-	8	7	-	-
Total Business Revenue Spend	4,875	-110	4,765	2,291	-2,474	2,289

- 3.6 The underspend on the Growth Co Services line dominates the in-year variance. This £2.1m underspend is 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 2022-23 and thus the budget is being requested as a carry forward.
- 3.8 The underspends on the Shared Prosperity Fund (SPF) Evidence Base, Market Towns & Cities Strategy and Economic Response Fund are being asked to be carried forward to be combined with similar underspends on budgets within the Skills Committee's remit and used for a combined procurement covering business case development on the SPF investment plan, as well as due diligence and evaluation requirements on Local Growth Fund (LGF) and SPF programmes.

- 3.9 The minor savings on five lines (those with variances that don't have a corresponding requested carry forward), where these are funded from specific sources, will have a small impact on the balances of the enterprise zone receipts reserve and LGF topslice reserves, and these will be reflected in the reporting to the Business Board's next meeting once the Combined Authority Board has considered the requested carry forwards at its meeting on 27th July 2022.
- 3.10 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. As there have been no changes to the budget since the March report to the Business Board, the 'Mar budget' and 'Board Adjusts' columns have been omitted.

Table 3 – Energy and Market Towns revenue budgets				
	Revised Budget	Outturn Spend	Variance	Requested Carry-forward
	£'000	£'000	£'000	£'000
Energy Hub	1,023	677	-346	342
COP 26	195	172	-23	23
GHG Phase 2 Sourcing Activity	895	196	-699	699
GHG Phase 2 Sourcing Strategy	69	69	-	-
GHG Phase 3	250	60	-190	190
Home Improvement Grant	250	-	-250	250
Net Zero Investment Design	495	-	-495	495
Public Sector Decarbonisation	180	-	-180	180
Rural Community Energy Fund	735	596	-139	139
St. Neots Masterplan	224	224	-	-
Total Energy Revenue Spend	4,316	1,993	-2,322	2,319

- 3.11 There is 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 Green Homes Grant (GHG) Phase 2 programme, resulting in significant delay to delivery of the programme. The issues around capacity to deliver the capital interventions is being felt nation-wide, and the Department for Business, Energy and Industrial Strategy (BEIS) has extended the delivery window for the programme to the end of September 2022, which will allow for an additional £13m of installations to take place. This will still only allow delivery of approximately one third of the original programme, and more detail can be found in the report on this project at Agenda Item 3.6 (Greater South East Net Zero Hub LAD2 (Green Homes Grant) and Sustainable Warmth Programme Update) on this meeting's agenda.
- 3.12 Due to the necessary focus on recovery of the GHG Phase 2 programme, resources have 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 is ringfenced and can be spent in 2022-23, so carry forward of the underspends is being requested from the Combined Authority Board.
- 3.13 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. 2021/22 Capital Budget

- 4.1 The Business Board only had one capital grant received in 2022-23, which was the second tranche of the Getting Building Fund. The full £7.3m was received in year and utilised to fund a combination of share purchase in the Peterborough R&D Property Company Ltd, and to provide a grant to Peterborough City Council to facilitate works to the enabling car park on Anglia Ruskin University Peterborough Site.
- 4.2 A breakdown of the Business and Skills directorate's 'Business Capital' expenditure for the year to 31st March 2022 is shown in Table 4 below. As there have been no changes to the budget since the March report to the Business Board, the 'Mar budget' and 'Board Adjusts' columns have been omitted.

Table 4 – 2021-22 Business Board Capital Expenditure					
	Funding Source	Revised Budget	Outturn Spend	Variance	Requested Carry-forward
		£'000	£'000	£'000	£'000
AEB Innovation Fund	LGF	324	324	-	-
Cambridge Biomedical MO Building	LGF	1,702	1,266	-436	185
Cambridge City Centre	LGF	691	210	-481	481
CRC Construction and Digital Refurbishment	LGF	911	911	-	-
Eastern Agritech Initiative	LGF	100	178	78	-
Illumina Accelerator	Recycled	1,000	300	-700	700
March Adult Education	LGF	314	314	-	-
Metalcraft (Advanced Manufacturing)	LGF	2,979	2,979	-	-
Peterborough City Centre	LGF	681	681	-	-
South Fen Business Park	LGF	997	51	-946	946
Start Codon (Equity)	Recycled	2,226	751	-1,475	1,475
The Growth Service Company	Mixed	3,000	2,115	-885	885
TTP Incubator	LGF	33	33	-	-
University of Peterborough Phase 2	GBF	14,600	14,600	-	-
University of Peterborough Phase 3	Recycled	-	2,000	2,000	-
Total Business Board Capital Spend		29,557	26,713	-2,845	4,671

- 4.3 The outturn variance shows a net underspend against budget of £2.85m, made up of six underspends and two overspends.
- 4.4 Three of the underspends and the overspend were forecast in the prior report to the Business Board:
- (a) Cambridge Biomedical will complete its spend in April/May of 2022 having been slightly delayed.
 - (b) Eastern Agritech is forecasting an overspend against budget. 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.

- (c) Start Codon has spent less than half its budget for the year, and officers are working closely with the project to ensure the future year's forecast is accurate. The original profile spend was to spend into 2022/23, so this is returning to the initial profile after an overly optimistic acceleration.
- (d) The Growth Service Equity Grants programme has only just been initiated and this spend will be utilised as soon as possible in the next financial year.

4.5 There were four un-forecast variances that crystallised at the end of the year:

- (a) Cambridge City Centre – this project has encountered delays due to issues with suppliers, however it is anticipated that the project will be fully delivered by September 2022.
- (b) Illumina – the take up of the accelerator programme has been slower than anticipated, which resulted in an underspend.
- (c) Southern Fen Business Park – there were significant delays with applying for planning permission, which has now been submitted so the project can proceed.
- (d) The apparent 'overspend' on the University of Peterborough Phase 3 reflects the shareholders agreement being signed the month earlier than anticipated, in March 2022, rather than April 2022. As such, the expenditure is reported in the 2021-22 financial year rather than 2022-23, rather than there being any unplanned spend.

4.6 Table 7 below gives an overview of the Energy & Market Towns capital budget lines, which are currently outside the Business Board's control and are provided for information purposes. As there have been no changes to the budget since the March report to the Business Board, the 'Mar budget' and 'Board Adjusts' columns have been omitted.

Table 5 -Energy & Market Towns Capital Expenditure Budgets				
	Revised Budget	Outturn Spend	Variance	Requested Carry-forward
	£'000	£'000	£'000	£'000
GSE Green Home Grant Capital Programme Ph 2	31,500	3,356	-28,144	28,144
Market Towns: Chatteris	1,000	404	-596	596
Market Towns: Ely	656	265	-391	391
Market Towns: Huntingdon	578	187	-391	391
Market Towns: Littleport	-	-	-	-
Market Towns: March	550	32	-518	518
Market Towns: Ramsey	705	-	-705	705
Market Towns: Soham	200	106	-94	94
Market Towns: St Ives	620	187	-433	433
Market Towns: St Neots	220	-	-220	220
Market Towns: Whittlesey	500	86	-414	414
Market Towns: Wisbech	601	253	-348	348

Total Energy & Mkt Town Capital Spend	37,130	4,877	-32,253	32,253
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- 4.7 The substantial variance on the Green Homes Capital Programme against the revised budget is primarily due to a higher than anticipated quality failure rate for assessors and installer availability. The level of forecast delivery further reduced and on 11th April 2022 an updated forecast was submitted to BEIS, reducing projected spend to £12m by 30th June 2022.
- 4.8 The issues encountered by the Greater South East Energy Hub have been reflected nationwide and, in response to this, BEIS has offered an extension to all Hubs to the end of September 2022. The Combined Authority accepted this extension in June 2022, and is forecasting an overall spend on the programme of up to £25m by the revised deadline. More detail on this is included in Agenda Item 3. 6 (Greater South East Net Zero Hub LAD2 (Green Homes Grant) and Sustainable Warmth Programme Update) on this meeting's agenda.
- 4.9 Despite close monitoring and support from Combined Authority officers, 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 slippage will be requested for carry forward, including confirmed delivery milestones and financial profiling.

5. 2022 Budget and Capital Programme

- 5.1 Based on the proposed carry-forwards being approved by the Combined Authority Board at its meeting on 27th July 2022, the Business Board's revised revenue and capital programme is shown below. Note that this paper was prepared before the Combined Authority Board and Business Board meetings in June 2022, and therefore does not include projects approved at those meetings.
- 5.2 The Business Board is asked to note the anticipated opening budget position for 2022-23.

	MTFP Budget	Proposed Carry Forwards	Proposed revised Budget
	£'000	£'000	£'000
Economic Rapid Response Fund	-	41	41
Growth Co Services	3,418	2,036	5,454
Insight and Evaluation Programme	75	-	75
Local Growth Fund Costs	530	-	530
Market Town and Cities Strategy	100	40	140
Marketing and Promotion of Services	90	-	90
Peterborough University Quarter Masterplan	-	100	100
Shared Prosperity Fund Evidence Base & Pilot Fund	-	77	77
Totals	4,213	2,293	6,507

Table 7 – Proposed revised Business Capital budget 2022-23

	MTFP Budget	Proposed Carry Forwards	Proposed revised Budget
	£'000	£'000	£'000
Cambridge Biomedical MO Building	-	185	185
Cambridge City Centre	-	481	481
Illumina Accelerator	1,000	700	1,700
South Fen Business Park	-	946	946
Start Codon (Equity)	-	1,475	1,475
The Growth Service Company	4,250	885	5,135
University of Peterborough Phase 3	2,000	-2,000	-
Total	7,250	2,671	9,921

6. Business Board Summary Funding Overview

6.1 A summary of the Business Board's 'Recycled Capital & Revenue' funds is set out in Table 8 below:

Table 8 - Recycled Capital & Revenue Funds

Capital (£'000)	22-23	23-24	24-25	25-26	26-27	27-28	28-29	Later Years
Opening balance	-10,208	-4,302	-1,823	-2,345	-2,529	-2,713	-2,897	-3,081
Forecast Expenditure	8,054	3,000	-	-	-	-	-	-
Forecast Income	-2,148	-522	-522	-184	-184	-184	-184	-2,024
Closing Balance	-4,302	-1,823	-2,345	-2,529	-2,713	-2,897	-3,081	-5,105
Revenue (£'000)	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	-	-	-	-	-	-	-	-
Forecast Income	-255	-117	-89	-73	-68	-63	-58	-321
Closing Balance	-345	-461	-551	-624	-691	-754	-812	-1,133
Combined (£'000)	22-23	23-24	24-25	25-26	26-27	27-28	28-29	Later Years
Opening balance	-10,298	-4,646	-2,285	-2,896	-3,152	-3,404	-3,651	-3,893
Forecast Expenditure	8,054	3,000	-	-	-	-	-	-
Forecast Income	-2,402	-638	-611	-257	-252	-247	-242	-2,345
Closing Balance	-4,646	-2,285	-2,896	-3,152	-3,404	-3,651	-3,893	-6,238

6.2 Table 8 does not reflect the anticipated return of funding from the sale of iMET, but does include the £996k refund from the winding up of One CAM Ltd that the Combined Authority resolved to reimburse in full. It also includes the £1.2m of projects supported by the

Business Board at its last meeting, although the Combined Authority Board was yet to ratify these awards at time of writing. If the Combined Authority Board does not ratify, the Business Board will be updated verbally.

- 6.3 The Business Board proposed the award of a further £2m of recycled funds immediately, with a further £600k subject to further repatriation of funds, which will reduce the balances set out above. Once these decisions are ratified by the Combined Authority Board, the recycled funds forecast will be updated to reflect the awards and anticipated spend profiles.
- 6.4 A summary of the Business Board's 'Enterprise Zones' Reserve Fund for the next six years is set out in Table 9 below:

Table 9 – Forecast enterprise zone income and expenditure						
£000's	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Opening Balance	-148	-429	-605	-1,199	-1,793	-2,387
Forecast Income	-972	-1,009	-1,009	-1,009	-1,009	-1,009
Total Expenditure	692	833	415	415	415	415
Annual surplus (deficit)	-280	-176	-594	-594	-594	-594
Closing Balance	-429	-605	-1,199	-1,793	-2,387	-2,982

- 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. There is 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 local councils one year in arrears.
- 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 & 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 None.

13. Background Papers

13.1 None.