4 WLEP Budget Proposal for 2024/25

WLEP BOARD RECOMMENDATION

The Board is asked to:

- Note the value of core grants of £234,285 for LEP responsibilities and £261,000 for Growth Hub in 2024/25, noting this is a reduction in settlement from Government in 2023/24;
- Note the increase in number of funding streams underwriting the WLEP operations, resulting in a blended funding model with greater emphasis on funded programme/defined outputs, reducing local budget flexibility;
- Review and agree the proposed balanced budget for 2024/25; and
- Note the future context associated with setting a WLEP budget for 2025/26+.

4.1 Context

4.1.1 In August 2023, the Government announced that it would no longer sponsor or fund LEPs directly from April 2024.

4.1.2 The announcement made clear that mayoral combined local authorities would carry out LEP functions, with effect from April 2024, and in areas without a devolution deal, upper-tier local authorities (working collaboratively where needed) would assume these responsibilities.

4.1.3 The Government confirmed it would provide revenue funding to local and combined authorities in 2024/25 to support the transition, but any funding beyond 2024/25 would depend on future Spending Review decisions.

4.1.4 On 28 March 2024, Worcestershire received confirmation of its funding allocation for 2024/25. This was a reduced allocation again, of £234k. LEP grant funding has continued to reduce in volume over the last 3 years from its original annual allocation of £500k (to £375k, to £250k and now £234k respectively).

4.1.5 In March 2023, the LEP Board and partners agreed to maintain the LEP delivery arrangements for a period of 2 years (2023/24 and 2024/25) as a minimum, and this was formalised by the Accountable Body with a CMR decision transferring LEP responsibilities into the Local Authority, confirmed in April 2024.

4.1.6 This report outlines WLEP's recommendation for setting a budget for the LEP, Growth Hub, BetaDen and Midlands Cyber operations in 2024/25.

4.2 Continuation of the blended funding model

4.2.1 As reported in 2023/24, despite the reduction in LEP core funding from central government, WLEP has continued to succeed in securing income from alternative sources to help underwrite the LEP's operations and activities. Confirmation was received on 28 March 2024, that Government would provide Growth Hub core funding allocation for 2024/25. Worcestershire will receive £261k, the same level as was received in 2023/24.

4.2.2 There are now more than ten income streams that the LEP have identified and are utilising to set a 2024/25 budget. This includes UKSPF investment from District Council partners (for specific project delivery), funding from DBT to deliver Key Account Management, Growing Places funding, match funding from local government, and investment secured from Eagle Labs to expand the BetaDen offer. This is a great outcome and testament to the partnership working of the LEP and Local Authorities to recognise the value these services play in supporting the Worcestershire economy.

4.2.3 A full list of the income streams is outlined in Appendix 1. By successfully securing additional income streams, this has helped in part to offset the reduction in central government funding and resulted in a continuation and extension of the blended funding model we saw in 2023/24.

4.2.4 However, the upshot of this model is that funding is now more tightly aligned to funded programmes with specific outputs associated, which has the knock-on impact of reducing the flexibility the LEP has in resourcing its own local priorities and areas of spend.

4.3 Key Headlines in setting the 2024/25 budget

4.3.1 Whilst core funding from Government in 2024/25 is welcomed, it is at a reduced rate when compared with previous levels, and has never been adjusted to account for inflation, since the inception of LEPs. WLEP will receive £234k for 2024/25. This section of the report outlines some of the key headlines from the 2024/25 budget setting process.

4.3.2 The salary for the LEP CEO now sits with the Accountable Body, recognising the merged role held by the postholder in also covering holding the role of Assistant Director for Economy at WCC. A 5% uplift on 23/24 salaries has been applied to Chamber employed staff. This is consistent with the labour market and in line with uplifts being applied by the Chamber of Commerce to their staff too. Worcester City Council staff are awaiting confirmation of the local government pay award settlement for 24/25, and this is forecast at 6%. The budget also includes full year costs for roles which are currently vacant and so will not incur full year effect but are included for future budgeting purposes.

4.3.3 A reduction in on-costs was successfully negotiated with the Chamber of Commerce in 2023/24 and these have been reduced from 15% to 8%, securing better value and reducing costs to the LEP.

4.3.4 The KAM contract value was £57k in 2023/24. DBT have so far committed funding for the first 6 months of 2024/25 at the same level, which means the LEP have budgeted a pro-rata'ed £28.5k for 2024/25, with the potential for this income to increase to £57k, subject to future decision by DBT.

4.3.5 The guiding principle has been to maximise use of the grant revenue income, so many of the staff team are now funded by multiple income streams to try and maximise the volume of funding which has greater flexibility to utilise on local LEP agreed priorities. This makes budget management complex and increases the amount of reporting burdens.

4.3.6 However, the blended funding model does result in a WLEP team and budget which is now configured to deliver almost exclusively against several pre-agreed contracts and KPIs – i.e. Growth Hub, BetaDen, KAM, meaning that any local investment priorities/activities agreed by Board (e.g. innovation activity such as Angel networks) will need to identify an alternative funding strategy to mitigate associated costs.

4.4 Budget Proposal for 2024/25

4.4.1 The Executive Team have undertaken a comprehensive budget exercise working with the Accountable Body to map income streams for 2024/25, which will support WLEP, WGH, BetaDen and Midlands Cyber delivery, alongside a review of all planned expenditure including salaries and costs of operation.

4.4.2 This captures all staff within the LEP, WGH, BetaDen, and Midlands Cyber areas even those that are not funded from core funding but via additional income received from other Government departments, or initiatives e.g. DIT KAM. This gives the Board an overall position of the span of influence held by the team.

4.4.3 This review of activity has resulted in the WLEP Exec Team proposing a balanced budget for 2024/25, of £2,836,719. This assumes no use of one-off WLEP reserves. Appendix 1 outlines the proposed budget for 2024/25.

4.4.4 The budget and income statement included within this report has been endorsed by the Deputy Chief Finance Officer of the County Council who represents the Accountable Body.

4.5 Looking Ahead to 2025/26+ and Next Steps

4.5.1 This budget meets the requirement of the WLEP Board to continue WLEP operations through to the end of 2024/25 as a minimum.

4.5.2 There remains sufficient resources in the LEP reserve and unallocated GPF balance for further work to be commissioned by the LEP Board to explore the potential to extend operations beyond 2024/25, subject to a Board decision.

4.5.3 However, there remain several 'unknowns' at a national level owing to the looming General Election and the associated policy framework of any future Government. This will affect Spending Review decisions including any subsequent grant funding for LEP responsibilities, Growth Hub operations and of course any potential future UKSPF investment beyond the existing funding commitments of March 2025.

4.5.4 Therefore, the quantum of funding required for LEP operations beyond 2024/25 is subject to further work and dependent on several external factors. The outcome of these would influence local decisions on future structure and priorities for the LEP and the resources required to undertake them, as well as funding decisions from external stakeholders, including central government and local partners.

4.5.5 WLEP will continue to seek funding from alternative sources to mitigate the use of one-off reserves for as long as possible, to lengthen the time for which WLEP operations can continue to be funded. Recent example of this includes the BetaDen team securing sponsorship investment from third party private sector partners to offset BetaDen operating costs, and £48k from Eagle Labs to expand the BetaDen offer to include BetaDen Incubate in 2024/25.

4.5.6 The Executive Team will continue to monitor spend with the Accountable Body to identify opportunities for realising efficiencies throughout 2024/25.

4.5.7 Subject to WLEP Board discussion and subsequent decision, the WLEP Executive Team will execute the recommendations.

4.5.8 The LEP will continue to engage with peers across the West Midlands, via the National Business Board Network (previously LEP Network) and regional Growth Hub clusters to capture best practice and identify key challenges, providing reports back to WLEP Board as appropriate.

4.5.9 The LEP will also continue regular engagement with DBT to seek earlier decisions on future funding decisions for 2025/26 and beyond for LEP responsibilities and Growth Hubs.

Luke Willetts

Deputy CEO

Appendix 1 – WLEP Outline Budget Proposal 2024/25Income	**Amount £**
LEP Core Funding (DBT)	234,285
WGH Core Funding (DBT)	261,000
UKSPF – WGH	408,794
UKSPF – BetaDen	339,050
UKSPF – Skills Boost Worcestershire	1,020,384
Careers Worcestershire	26,000
Growing Places – BetaDen	173,847
Eagle Labs	48,604
Growing Places – Eagle Labs match	48,604
KAM Contract (DBT) *N.B. potential to increase to 57,000 subject to DBT decision*	28,500
WCC Contribution	273,651
TOTAL INCOME	**2,836,719**

	WLEP Core Budget 2024/25	**Growth Hub Budget 2024/25**	**BetaDen Budget 2024/25**	**Skills Boost Budget 2024/25**
Employee-related expenditure	354,098	513,760	228,053	167,349
Premises-related expenditure	16,288	15,034	58,200	-
Supplies & Services	54,550	34,999	109,200	87,135
Third Party Payments and Outgoing Grants	83,000	134,500	214,652	765,900
Other Income			-48,604	
WCC Contribution	-273,651			
Government Grants	-234,285	-289,500		
UKPSF 2024/25		-408,794	-339,050	-1,020,384
Growing Places Reserve			-222,451	