

6 WLEP and WGH Budget 2022/23 and Value Proposition

WLEP BOARD RECOMMENDATION

The Board is asked to:

- Note the conclusion of the National LEP Review and associated guidance which positions WLEP as being on Transition Pathway 2;
- Note the reduced funding envelope for WLEP and WGH in 2022/23;
- Review and agree the proposed WLEP and WGH roles for 2022/23;
- Review and agree the proposed budget for 2022/23, associated funding assumptions and recommendation to use 2021/22 underspend to mitigate forecast deficit in 2022/23; and
- Review and consider the potential additional delivery options to supplement core WGH offer in 2022/23.

6.1 Context

- 6.1.1 In March 2021, as part of the Chancellor's Spring Statement, a National LEP Review was announced, to explore the role of LEPs, with a view to concluding and providing recommendations to Ministers prior to Parliamentary recess in the summer of 2021.
- 6.1.2 Terms of Reference were agreed between BEIS and the LEP Network and the review commenced in April 2021. The LEP Review was delayed due to other conflicting priorities at a national level and became intrinsically linked with the development of the Government's Levelling Up White Paper.
- 6.1.3 As a result, the National LEP Review did not conclude until 31 March 2022, when Neil O'Brien MP and Paul Scully MP wrote a joint letter to LEP Chairs from DLHUC and BEIS respectively, copying in all LA Leaders and Chief Executives.
- 6.1.4 This letter set out guidance for LEPs on Government's expectations for even closer integration between LEPs and local democratic institutions. The letter and guidance spanned 13 pages and confirmed a level of core funding for LEPs, albeit at a reduced rate in 2022/23.
- 6.1.5 Following receipt of the letter, the WLEP Board convened on 5 April 2022 to share immediate reactions and tasked the WLEP Executive Team with developing budget proposals for 2022/23, engaging partner organisations as part of that exercise. This report outlines WLEP and WGH's interpretation of the letter and our recommendations for defining our roles, function and supporting budget in 2022/23.

6.2 What does the letter mean for Worcestershire?

- 6.2.1 The letter received on 31 March 2022 was welcomed, in formally drawing a conclusion to the National LEP Review, which had caused considerable uncertainty over the previous 12 months for LEPs, their staff and local partners.
- 6.2.2 It locked in certainty for LEPs in 2022/23, and confirmed Government's intentions to ensure that businesses outside devolution areas could continue to access the support, insights and representation that LEPs provide and to ensure that an independent business and stakeholder voice continues to play its vital role supporting growth in all parts of England.
- 6.2.3 The letter also confirmed that until devolved institutions exist in an area, Government will support LEPs as they are currently constituted, subject to future funding decisions.

- 6.2.4 Currently, the Worcestershire Leaders Board (WLB), which comprises membership of all seven Local Authority Leaders in the county (six District Council and one County Council) has expressed no political will to pursue a County Deal at this time. WLB will monitor developments elsewhere to build their evidence base further to inform future direction on this matter.
- 6.2.5 The guidance outlines a 'transitional pathways model' for LEPs with three potential routes. These are:
- Pathway 1 – Integrating LEPs into (M)CAs or institutions with devolved powers for the purpose of hosting a county deal;
 - Pathway 2 – Maintaining LEPs until a devolution deal is agreed; or
 - Pathway 3 – Finding a local solution where one or more (M)CA or institution with devolved powers for the purpose of hosting a county deal covers only part of the LEP area, leaving part(s) of the LEP area outstanding.
- 6.2.6 Worcestershire are confirmed as being on Pathway 2. Despite welcome news on a funding settlement from BEIS for 2022/23, it is at a reduced rate when compared to previous years for both LEPs (25% reduction) and Growth Hubs (50% reduction). WLEP will receive £375k for 2022/23 and WGH will receive £231k for 2022/23. Local match funding from partners is stipulated as a key requirement by Government.

6.3 WLEP and WGH Future Role

- 6.3.1 Local interpretation of the Government correspondence suggests it is increasingly important that the LEP and Growth Hub operations should be closely aligned to provide the best outcomes to deliver the business voice into local response to Levelling Up policies. The two functions should work seamlessly together to deliver on the objectives set out in the Plan for Growth (2020-2040), ensuring local business intelligence is captured and informs local decision making. This further validates the WLEP Board's decision to bring the Growth Hub under the WLEP's management in 2021.
- 6.3.2 The role of the LEP and Growth Hub can be defined into four parts, with the overarching principle of acting as a convener of the private, public and education sectors to support economic growth and prosperity. These four roles are referenced as follows:
- Economic Strategy
 - Business Voice and Intelligence
 - Convenor
 - Delivery
- 6.3.3 The Economic Strategy role involves carrying out strategic economic planning in partnership with local government and other key stakeholders including business. Key functions within this part of the role involve acting as a central repository for economic data and intelligence, providing reports to partners and stakeholders to support their work. A timely example of this will be supporting District Councils with the evidence base that underpins the economic strategy, at a District level so that it can be used to inform their proposed UK Shared Prosperity Fund Investment Plans and associated priorities, which will require submission in Summer 2022. There are also responsibilities around ensuring delivery and reporting of capital programme investments.
- 6.3.4 The Local Business Voice and Intelligence role will embed a strong, independent, and diverse local business voice into local democratic institutions and regional / national fora. This will primarily be carried out by the Growth Hub team. Again, data and intelligence captured will routinely be shared with local partners and stakeholders using the CRM system and we will manage the relationships with several foreign-owned businesses within the county on behalf of DIT.
- 6.3.5 The Convenor role will be crucial in continuing to facilitate collaboration between local business, education and training providers and local government partners. This will be about supporting private sector partnerships and economic clusters for example around key themes such as Net Zero, Skills and Innovation. There is also a role to connect local employers with education and training providers to ensure skills delivery is aligned to local economic need. Coordination of Business Representative Organisations like the Chamber of Commerce, FSB, NFU and others will also be important to share insights, challenges and distribute key messages across respective networks.

6.3.6 Finally, there is a Delivery role, which ensures the effective delivery of defined impactful economic functions on behalf of the WLEP Board, local partners, and central Government departments. Existing examples include BetaDen, the county's commercial technology accelerator, and currently BetaDen North, a cleantech bootcamp spin-off being delivered in partnership with Wyre Forest District Council via the Community Renewal Fund (CRF). There are also national delivery commitments, for example the Careers Hub contract and Local Skills Analysis on behalf of the DfE.

6.3.7 An illustration of the role of the LEP and Growth Hub can be seen in **Appendix 1**. WLEP Board are asked to review and agree these roles.

6.4 Implications of reduced core funding

6.4.1 As referenced earlier, whilst core funding from Government is welcomed, it is at a reduced rate when compared with 2021/22 levels. WLEP will receive £375k for 2022/23 and this section of the report outlines some headline impacts of the reduced budget on WLEP and the Growth Hub, starting with the LEP.

6.4.2 A decision has been taken to hold vacancies for the 'Director of Enterprise / BetaDen CEO' role and the 'BetaDen Investment Manager' role. This has reduced costs and the LEP management team FTE by 25%.

6.4.3 The budget proposal also includes a reduction in the allocation of conference delivery. Whilst these annual set piece events have been successful networking events in the past, showcasing key messages and achievements, we are proposing a series of smaller business engagement events taking place at various locations across the county on a quarterly basis. These will be able to be delivered at a lower cost.

6.4.4 Discussions are also underway with Local Authority partners about match funding contributions as well as the rental changes for WLEP / WGH office space in 2022/23 where applicable (Bromsgrove District Council and Worcester City Council). The budget proposal outlined further on in this report, assumes an ongoing continuation of £15k contribution from each District Council (£10k WLEP and £5k WGH) and £90k from the County Council (in addition to in-kind Accountable Body support on HR, Finance and Legal, and funding for defined WGH posts, outlined later in this section). Forecast property costs are also based on 'worst case' rental charges for 2022/23.

6.4.5 WGH's funding settlement from BEIS for 2022/23 is £231k, representing a 50% reduction on the 2021/22 settlement.

6.4.6 On a positive note, Worcestershire Growth Hub has successfully secured a further £27.5k income from Department for International Trade to deliver the Key Account Management (KAM) Contract for a further 6 months (April-Oct 2022). There is hope that this will be extended to 12 months (£55k in total) and if so, it will include a £5k uplift from the 2021/22 contract to reflect the success and scale of the project in Worcestershire.

6.4.7 Worcestershire Growth Hub's ERDF contract also ended on 31 March 2022 and with that a loss of 20% of total annual income. This combined with the other contract changes means that the Growth Hub's core income has reduced from c.£600k to £260k (potential to rise to £287k if DIT extend the KAM contract) in 2022/23.

6.4.8 This significant reduction in core funding has had a direct impact on the Growth Hub's structure and core delivery. To reflect this the WLEP Director of Business Engagement, working with the Accountable Body's HR function (Worcester City Council) undertook a restructuring exercise earlier this year.

6.4.9 The Growth Hub team were consulted on a proposed new structure in March 2022 and on 30 April 2022 the Growth Hub Manager, 1 x Account Manager and the Finance and Administration Officer roles became redundant. Whilst disappointing, this has allowed the team to refocus on the role of the Growth Hub going forward and small changes to remaining roles have been made to reflect this.

6.4.10 Historically the Growth Hub have received additional funding from Local Authority partners (£5k per District council and 3 funded posts from Worcestershire County Council – 2 Business Navigators (one on maternity and one vacancy) and a Digital and Communications apprentice (ends June 2022)).

- 6.4.11 The LEP Management team have met with each District partner to discuss their aspirations for Growth Hub delivery in their area and all have agreed to continue with at least the minimum contribution of £5k. This means that the WGH budget increases to £290k (£317k if DIT extend KAM contract).
- 6.4.12 Future discussions are to be had with District Councils on the potential for future tailored business support in District Localities, to be delivered via the Growth Hub, as part of respective UKSPF Investment Plans which are due to be submitted to Government by early August 2022.

6.5 Budget Proposal for 2022/23

- 6.5.1 The Executive Team have undertaken a comprehensive budget exercise working with the Accountable Body to map income streams for 2022/23, which will support WLEP and WGH delivery, alongside a review of all planned expenditure including salaries and costs of operation.
- 6.5.2 This captures all staff within the LEP and WGH, 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.
- 6.5.3 This review of activity has resulted in a forecast budget position for 2022/23, with a £20,463 forecast deficit of expenditure over income. Appendix 2 outlines the proposed budget for 2022/23 along with the budget assumptions factored in and referenced as footnotes. It is worth noting that in 2021/22, WLEP are reporting an underspend budgetary position with a transfer to reserves of circa £29k, of which £20,463 is recommended to be earmarked to mitigate this forecast deficit in 2022/23.
- 6.5.4 This exercise has enabled WLEP and WGH to 'cut its cloth' accordingly and build an operational budget within the smaller financial envelope, whilst also not drawing on the £500,000 reserves that were allocated by the WLEP Board from the Growing Places Fund in January, prior to receiving confirmation of core Government funding in 2022/23.

6.6 Additional Delivery Model Options for Consideration

- 6.6.1 WLEP are keen that no Worcestershire business is inadvertently affected by the reduction in central government funding and subsequent downsizing of the core team.
- 6.6.2 WGH will continue to deliver sign-posting and general business support to all businesses, regardless of age or size – this will be delivered by the Navigator roles. Alongside this the team is introducing meaningful account management and business support for businesses with 4+ employees. This builds on the model the Growth Hub have delivered as part of the successful KAM programme which has led to 32 FDI's in Worcestershire receiving more focussed support and 6 large-scale investment wins for the county in 2021/22.
- 6.6.3 With the reduction in funding and a downsized team, there is a risk that future delivery may be impacted by reduced resilience around sickness and annual leave. WGH is the central hub for all Worcestershire businesses to visit when looking for any business support and there is a clear appetite from District partners for this role to continue.
- 6.6.4 In addition to the above, WLEP recognises that intelligence and meaningful 'hands-on' and specialist support is just as valuable to our business community as signposting and hand-holding businesses through a complex business support eco-system (locally, regionally, and nationally).
- 6.6.5 The WLEP Management team have scaled several potential options to minimise the impact of the funding reduction on our businesses, as well as maintain a business-as-usual approach to delivering business support. The following options are intended as choices for the WLEP Board to make and would require drawing on WLEP reserves to deliver, ranging from an additional £100k to £260k.
- 6.6.6 Over the last 12 months Worcestershire Growth Hub has procured the services of Specialist Business Advisors to directly support businesses to overcome and navigate any specific challenges they have. This has been offered to all businesses and in 2021/22, a budget of £60k supported 164 businesses offering unlimited access to specialist one to one business support from local experts on topics including – Clean Growth and journey to Net Zero, Accessing Finance, Cyber Security and Digital Technology, Marketing and Communications, and Business Growth.

- 6.6.7 The loss of an Account Manager post because of the restructure, and a subsequent request from a team member for a reduction in hours to three days a week whilst they access 12 months treatment for an illness means the team is lean and presents a degree of risk around impact on delivery.
- 6.6.8 Worcestershire Growth Hub also acts as the central hub for business engagement in Worcestershire. Recognising the role it has in pro-actively contacting and working with businesses across the county there is an opportunity for the Growth Hub to deliver online business surveys to help inform and guide local and national business support policy and delivery decisions.
- 6.6.9 The following table outlines four options which provide the WLEP Board with choices to address some of these challenges. All options have an additional financial implication, with all options proposing a continuation of using procured Specialist Business Advisors, with modular, tapered increases in additional support offered with a corresponding increase in cost.

	Option 1	Option 2	Option 3	Option 4
Specialist Business Advisor support	200 businesses supported by specialist business advisor support	200 businesses supported by specialist business support	200 businesses supported by specialist business support	200 businesses supported by specialist business support
Account management	-----	1 FTE Account Manager	1 FTE Account Manager	3 FTE – 2 navigators, 1 Account Manager
Business intelligence	-----	-----	2 business surveys and online business support portal	2 business surveys and online business support portal
Cost	£100k	£140k	£200k	£260K

6.7 Next Steps

- 6.7.1 Subject to WLEP Board discussion and subsequent decision, the WLEP Executive Team will execute the recommendations and communicate outcome to partners and stakeholders during week commencing 23 May 2022.
- 6.7.2 The LEP will continue to engage with peers across the West Midlands LEPs and via the LEP Network and Growth Hub clusters to capture best practice and identify key challenges, providing reports back to WLEP Board as appropriate.
- 6.7.3 The LEP will also continue regular engagement with BEIS to lobby for earlier decisions on future funding decisions for 2023/24 and beyond.
- 6.7.4 The Executive Team will also prepare the Annual Delivery Plan for 2022/23 and share with WLEP Board prior to submission in line with Government's deadline of 30 June 2022.
- 6.7.5 The Growth Hub will engage with District Councils to further explore discussions around potential use of UKSPF to augment the Growth Hub's core offer of support for localities.
- 6.7.6 Finally, it is worth reminding WLEP Board of the piece of work that Government is undertaking on a national Enterprise Strategy for the UK. This is intended to explore key questions about support for SMEs, and what it should look like, as well as potential delivery considerations i.e. should this be done at a national or local level. This report is intended to be published in Summer 2022. WLEP and Growth Hub will continue to liaise with BEIS and others to monitor these developments.

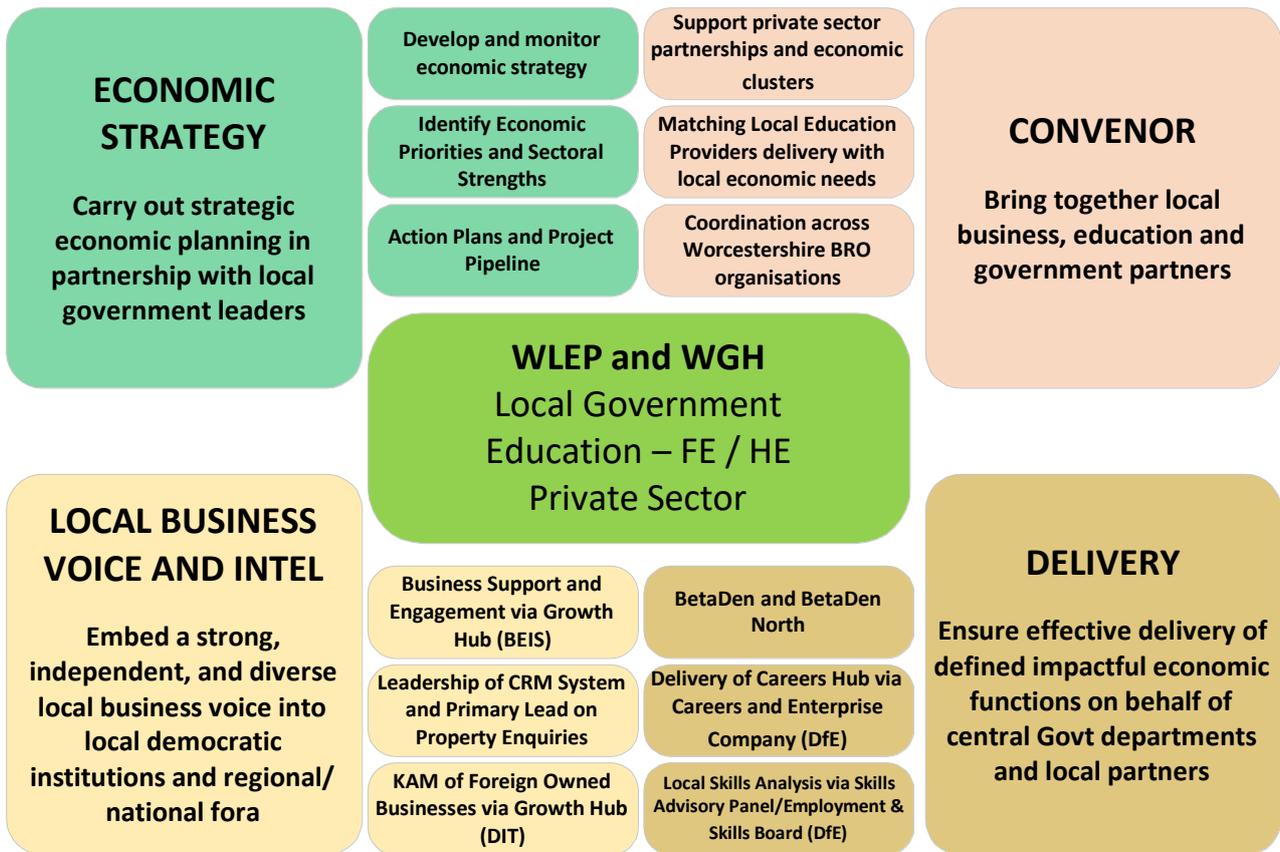
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Appendix 1 – Illustration of WLEP and WGH Role



Appendix 2 – WLEP / WGH Outline Budget Proposal 2022/23

Income	Amount £
LEP Core Funding (BEIS)	375,000
Local Government Contribution – LEP	150,000*
WGH Core Funding (BEIS)	231,000
Local Government Contribution – WGH	90,416**
KAM Contract (DIT)	55,000***
BetaDen contribution to Premises	38,000
Skills Match	14,000
TOTAL INCOME	953,416
Expenditure	
Staffing, Oncosts, Expenses and Training (18.6 FTE)	692,700
Growth Plan Activity	25,000
External support	45,000
Services and Supplies	64,472
Subscriptions	18,100
Event Delivery	29,600
Premises	99,007
TOTAL EXPENDITURE	973,879
Excess of Expenditure over Income	20,463
Use of Reserves	-20,463

* Assume full LA match from partners

** Assumes full LA match from partners and includes cost of defined WGH roles funded by WCC

*** Assumes full year commitment from DIT (i.e. second tranche of £27.5k from October 2022)