7 WLEP Budget Proposal for 2023/24

WLEP BOARD RECOMMENDATION

The Board is asked to:

- Note the agreement made by WLEP Board at their meeting in March 2023, to continue a county-wide LEP model in Worcestershire for the next two years as a minimum;
- Note the reduced LEP core funding settlement from Government in 2023/24;
- Note the increase in number of funding streams underwriting the WLEP model, with greater emphasis on funded programme/defined outputs delivery model;
- Review and agree the proposed budget for 2023/24, associated funding assumptions and recommendation to transfer belated UKSPF funding award from partners in 2022/23 to offset LEP reserve expenditure defrayed in 2022/23; and
- Note the work undertaken to begin setting a WLEP budget for 2024/25.

7.1 Context

7.1.1 In March 2023, as part of the Chancellor's Budget Statement, Jeremy Hunt MP announced that:

"The government is committed to empowering democratically elected local leaders at every opportunity. To this end, the government intends for the functions of Local Enterprise Partnerships to be delivered by local government in the future.

Therefore, the government is minded to withdraw central government support for LEPs from April 2024. The Department for Levelling up, Housing & Communities and the Department for Business and Trade will now consult on these proposals, before confirming a decision."

7.1.2 Immediately following this, a letter was issued to Local Authorities and LEPs outlining a data collection exercise led by Government which aimed to fully understand the implications of an end to Government core funding if this were to happen. The deadline for LEPs and LAs to submit their response was extended to 19 May (from the original 14 April deadline).

7.1.3 The government announced they will publish an updated policy position to confirm next steps by the summer.

7.1.4 In line with this announcement, LEPs were advised that the core funding settlement for LEPs in 2023/24 has again reduced from the previous year's allocation (£375k), down to £250k.

7.1.5 At the last WLEP Board meeting (31 March 2023), the Chancellor's announcement was discussed and the WLEP Board continued to advocate for the good work undertaken locally by the LEP and wider partnership. The WLEP Board remain committed to a county-wide LEP model and tasked the Executive Team with setting a two-year budget to navigate this transitional period, recognising the likelihood there will be no county/devolution deal concluded during that time.

7.1.6 This report outlines WLEP's recommendation for setting a budget for the LEP, Growth Hub and BetaDen operations in 2023/24.

7.2 A more blended funding model

7.2.1 Despite the reduction in LEP core funding from central government, WLEP has been successful in securing income from alternative sources to help underwrite some of the LEP's operations and activities. On 30 March 2023, Government provided a 'letter of comfort' to all LEPs confirming Growth Hub core funding allocations for 2023/24. Worcestershire will receive £261k.

7.2.2 The other significant funding stream is from our Borough, City and District Council partners, who have each awarded UKSPF funding to support BetaDen (excluding Wychavon DC) and Worcestershire Growth Hub (all lower-tier LAs) activities. 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.

7.2.3 Other income streams include securing funding from Government departments to undertake specific contract delivery, for example the Key Account Management contract (formerly Department for International Trade) which will see the Growth Hub engage with strategic foreign-owned businesses and monitor/broker additional investment by these companies within the county/UK.

7.2.4 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 more blended funding model for 2023/24. 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.

7.3 Defining a two year delivery plan

7.3.1 The LEP consists broadly of three core elements:

- LEP Executive
- Worcestershire Growth Hub
- BetaDen

7.3.2 Each of these areas of the operation continue to 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.

7.3.3 As agreed by the Board last year, following the conclusion of the National LEP Review, the role of the LEP continues to comprise four parts, with the overarching principle of acting as a convenor of the private, public and education sectors to support economic growth and prosperity. These four roles are referenced as follows:

- ***Setting the economic strategy*** for the county, monitoring performance against KPIs and providing an intelligence hub for economic data and research
- Acting as ***the voice of business, gleaning local insights and intelligence*** from the local business community
- ***Convening*** key communities of interest and private sector clusters, ***facilitating collaboration*** across the county
- ***Delivering key economic interventions and projects*** first-hand

7.3.4 Both the LEP Board and the Executive Team have seen changes recently with the successful appointment of a new Chair, alongside several new Non-Exec Directors (NEDs). The Executive Team have seen changes to structure of the LEP team to a slimmed management team and the LEP has commenced recruitment activity to increase the capacity of the Growth Hub to deliver on the UKSPF deliverables.

7.3.5 To reflect these personnel changes and the injection of new energy and ideas, the LEP Chair has commenced a piece of work with the Board and Executive Team to assess the LEP's performance to date, and to agree priorities for the next 2 years, which will inform the LEP's delivery plan over that period.

7.3.6 This work has already started, and a retrospective look at the LEP's performance, over the last 5 years, will take place at the May 2023 WLEP Board meeting.

7.4 Key Headlines in setting the 2023/24 budget

7.4.1 Whilst core funding from Government in 2023/24 is welcomed, it is at a reduced rate when compared with 2022/23 levels. Indeed the 2022/23 settlement was a reduction on previous year's settlement, which had been £500k consistently for several years and did not account for inflation. WLEP will

receive £250k for 2023/24. This section of the report outlines some of the key headlines from the 2023/24 budget setting process.

7.4.2 A decision has been taken not to recruit to the 'Director of Business Engagement' role. The responsibilities for this role, primarily the Growth Hub, have been transferred to the Deputy CEO, meaning the LEP management team FTE capacity has reduced by 40%.

7.4.3 In setting the budget, an assumption has been made that lower-tier Local Authority partners will no longer contribute local match funding (£10k p/a for LEP and £5k p/a for GH) in 2023/24 due to their investment via UKSPF instead. Only the County Council is confirmed as providing local match funding to the same level as previous years at £90k p/a.

7.4.4 The majority of the salary for the LEP CEO now also sits with the Accountable Body with a £20k contribution from WLEP, recognising the merged role held by the postholder in also covering holding the role of Assistant Director for Economy at WCC. A 6% uplift on 22/23 salaries has been applied to Chamber and Worcester City Council employed staff. 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.

7.4.5 Due to the delay in securing the UKSPF funding agreements for WGH, the Year 1 allocation (22/23) of £192,421 is still to be received. On receipt, this funding will be transferred into the Growing Places reserve to offset part of the £260k agreed by WLEP Board last year to augment the Growth Hub offer for Worcestershire businesses. Outputs delivered in 2022/23 have been communicated to UKSPF funding partners so they can be reported to Government.

7.4.6 There are also a couple of areas being explored where potential savings could be made in-year. These include office overhead costs. Currently the team are split across multiple sites which is not conducive to effective team working or operational efficiency. We are currently looking to co-locate the team together in one location which will also provide efficiency savings. Factoring in notice periods on existing leases, a realistic timeline for any move will be from Summer 2023.

7.4.7 Secondly, we are also currently negotiating the on-costs charged by the Chamber of Commerce with a view to securing better value and reducing costs.

7.4.8 Based on recent WLEP Board discussions, we have also factored in a budget for conference delivery in 2023/24. A discussion with the Board to firm up requirement/expectations will take place at the May meeting to help with more accurately forecasting this spend.

7.5 Budget Proposal for 2023/24

7.5.1 The Executive Team have undertaken a comprehensive budget exercise working with the Accountable Body to map income streams for 2023/24, which will support WLEP, WGH and BetaDen delivery, alongside a review of all planned expenditure including salaries and costs of operation.

7.5.2 This captures all staff within the LEP, WGH and BetaDen, 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.

7.5.3 This review of activity has resulted in the WLEP Exec Team proposing a balanced budget for 2023/24, of £1,970,581. This assumes use of one-off WLEP reserves of £125,960. Appendix 1 outlines the proposed budget for 2023/24.

7.5.4 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.

7.6 2024/25 Budget Setting and Next Steps

7.6.1 As advised at the previous Board meeting, the intention and wish of the WLEP Board and partners is for WLEP to continue its activities through 2023/24 and 2024/25 as a minimum.

7.6.2 There remains sufficient resources in the LEP reserve and unallocated GPF balance for this to be an affordable option through 2024/25, subject to a Board decision in 12 months. A more permanent solution would be required to extend beyond 2024/25.

7.6.3 However, the quantum of funding required is subject to further work and dependent on several external factors. These include 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.

7.6.4 Local partners have allocated UKSPF funding for 2024/25 to underpin WGH and BetaDen delivery during that period. 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. In parallel and as outlined earlier in this report, the Executive Team will continue to monitor spend with the Accountable Body to identify opportunities for realising efficiencies throughout 2023/24 and 2024/25.

7.6.5 Subject to WLEP Board discussion and subsequent decision, the WLEP Executive Team will execute the recommendations and communicate outcome to partners and stakeholders.

7.6.6 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.

7.6.7 The LEP will also continue regular engagement with BEIS to seek earlier decisions on future funding decisions for 2024/25 and beyond for LEPs and Growth Hubs.

Luke Willetts

Deputy CEO

Appendix 1 – WLEP Outline Budget Proposal 2023/24

Income	**Amount £**
LEP Core Funding (BEIS)	250,000
Local Government Contribution – LEP	90,000
WGH Core Funding (BEIS)	261,000
UKSPF – WGH (2022/23 Yr 1 C/F)	192,421
UKSPF – WGH (Yr 2)	419,000
KAM Contract (DIT)	57,000
UKSPF – BetaDen (Yr 2)	361,100
Growing Places – BetaDen	145,100
Midlands Cyber	55,000
Skills Match	14,000
Use of reserves	125,960
TOTAL INCOME	**1,970,581**
Expenditure	
Staffing, Oncosts, Expenses and Training (19.9 FTE)	1,156,887
Premises	110,219
Event Delivery	118,000
Services and Supplies	352,500
External support	113,948
Subscriptions	23,027
Grants (via BetaDen)	96,000
TOTAL EXPENDITURE	**1,970,581**