

7.0 WLEP BUDGET AND LOCAL GROWTH FUND PROGRAMME UPDATE

WLEP BOARD RECOMMENDATIONS

That the Board:

1. notes the current forecast position in respect of the 2020/2021 WLEP revenue budget, including balance of reserves
2. notes the current forecast position for Local Growth Fund (LGF) 2020/21 and delegates authority to the Chief Executive of WLEP and the Deputy Chief Finance Officer to allocate any underspend on Pershore Northern Link Improvements to LGF scheme (s) which have previously been supported by WLEP on the understanding that substitute funding will be made available to Pershore Northern Link Improvements in 2021/22
3. notes the current position in respect of the Growing Places Fund
4. notes the current position in respect of the Getting Building Fund
5. notes the current position in respect of the Growth Hub

7.1 Purpose of the Report

To provide the Board with a position statement relevant to the:

- Forecast outturn position in respect of the 2020/21 Growth Deal funded programmes;
- Forecast outturn position in respect of the 2020/21 WLEP Revenue Budget;
- current position in respect of the Growing Places Fund;
- current position in respect of the Getting Building Fund;
- current position in respect of the Growth Hub.

7.2 2019/20 Growth Deal funded programme

7.2.1 **Table 1** shows the total Growth Deal funding for the WLEP from 2015/16 to 2020/21, giving a total funding allocation of £71.725m

Table 1- LEP Growth Funding Profile 2015/16 – 2020/21

	Growth Deal 1/2/3 Profile						Total
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	
GD 1 & 2	13,400,000	24,153,000	15,325,957	1,336,400			54,215,357
GD3				3,516,687	3,624,437	10,368,876	17,510,000
Combined	13,400,000	24,153,000	15,325,957	4,853,087	3,624,437	10,368,876	71,725,357
Rounded	13,400	24,153	15,326	4,853	3,624	10,369	71,725

7.2.2 The WLEP funding for 2020/21 is £10.369m. A full review of each of the projects was undertaken in June 2020 in conjunction with DCLG. Previously it was reported that LGF funding agreed by WLEP Board was due to be fully utilised in 2020/21 in line with the budget agreed for each.

7.2.3 At quarter 2, it is now anticipated that there will be slippage of c£1m on Pershore Northern Link Improvements as a result of the discovery of lizards onsite which are a protected species. This situation was impossible to foresee and plan for and is outside the control of those managing and implementing the scheme and it is estimated that this issue will delay the project by approximately 9 months. This latest position on the LGF is shown in detail in **Table 2**.

Table 2 – 2020/21 LGF Budget and Forecast

2020/21 Schemes	2020/21 Budget (£000)	2020/21 YTD spend on scheme (£000)	2020/21 Forecast (£000)	Variation (£000)
Bromsgrove A38	5,762	1,711	5,762	0
Pershore Northern Link Improvements	3,800	1,160	2,760	(1,040)
Churchfields	553	1,003	553	0
Duckworth Centre of Engineering	254	222	254	0
Total	10,369	4,096	9,260	(1,040)

7.2.4 WLEP Board should note that, unlike in previous years, funding will not be able to be carried forward into future years and will need to be fully committed by 31 March 2021. Work has therefore been ongoing to identify whether expenditure can be accelerated on any of the other projects within the LGF.

7.2.5 At this stage, it is not anticipated that commitments against the other 2020/21 LGF schemes could utilise this additional funding, or that projects within the Getting Building Fund allocation in 2021/22 could be brought forward to offset this. There is, however, potential for expenditure on other schemes previously funded by the WLEP and currently being funded by WCC to be substituted in 2020/21 to offset this underspend. The schemes that could be considered are shown in **Table 3**.

Table 3 – 2020/21 forecast expenditure on schemes previously funded by WLEP

2020/21 Schemes	2020/21 Forecast (£000)
Worcestershire Parkway	1,300
SLR3 including Battenhall Railway Bridge	2,600
Kidderminster Rail Station	1,700

7.2.6 WLEP Board are requested to delegate authority to the Chief Executive of WLEP and the Deputy Chief Finance Officer to allocate any underspend on Pershore Northern Link Improvements in 2020/21 to scheme(s) in Table 3 which have previously been supported by WLEP on the understanding that substitute funding will be made available to Pershore Northern Link Improvements in 2021/22. The impact of this being that WLEP takes full opportunity to utilise the entire LGF funding allocation in 2020/21, with a corresponding release of funding to Pershore Northern Link Improvements in 2021/22. The final position on this will be reported to a future WLEP Board meeting and included in the Annual Report for 2020/21.

2020/21 WLEP Revenue Budget

7.2.7 The LEP's Core budget for 2020/21 is **£662k**, comprising:

- i) DCLG income of £500k,
- ii) Local authority income of £150k, and
- iii) Other income of £12k.

7.2.8 Current expenditure levels indicate that the WLEP budget is currently forecasting a break-even position. However, this position is being reviewed to ensure that it accurately reflects all work which was delayed by CoVID in the early part of the financial year but will still take place during 2020/21.

7.2.9 This position assumes that all relevant Local Authorities pay their WLEP contribution for 2020/21.

7.2.10 Any underspend or overspend on the WLEP budget in 2020/21 would result in a transfer to/from the WLEP reserve at year-end. **Table 4** below shows the opening balance of WLEP reserves and forecast closing position. The forecast year-end position is a balance of £116k in the WLEP General Reserve, the majority of which will need to be maintained to cover any potential redundancies for the Executive Team and the team currently employed by the Chamber of Commerce to support the Growth Hub.

Table 4 – WLEP Reserve position

	2020/21 Opening Balance (£000)	2020/21 Forecast Movements (£000)	2020/21 Forecast Closing Balance (£000)
WLEP General Reserve	116	0	116
WLEP Apprenticeship Reserve	99	75	24
BetaDen Redundancy Reserve	48	0	48
Total	263	75	188

7.2.11 Worcestershire County Council, as the Accountable Body for WLEP, includes all transactions undertaken and managed by the WLEP, within the financial ledger and its sub ledgers which are subject to both internal and external review on an annual basis.

7.3 Current position regarding Growing Places Fund

7.3.1 The Board will recall that the Growing Places Fund (GPF) was originally introduced to provide loans to accelerate the delivery of projects that would deliver economic outputs and outcomes. Loans were agreed at market rates based on the risk profile of the project with all capital being repaid over an agreed period.

7.3.2 The original GPF made available to the LEP totalled £5,518,972 of which £418,515 was revenue. The amount currently held on the balance sheet is £2.9m, however, most of this has been committed to individual projects.

7.3.3 In February 2020, £890k was received back from Redditch Eastern Gateway (leaving the £910k grant as the only funding now allocated to this scheme). £250k of this has been allocated to the Project Development Fund. As such, £640k remains available for future allocation. Further future funding may become available as loans issued from Growing Places continue to be repaid. A detailed split per project shown at **Appendix 1**.

7.3.4 Elsewhere on today's agenda is a bid relating to potential utilisation of £150,000 of the remaining £640k for Worcestershire 5G Co.

7.4 Getting Building Fund

- 7.4.1 On 30 June 2020, the Prime Minister set out Governments 'New Deal' to deliver jobs, skills and infrastructure for Britain. This includes £900m for a new Getting Building Fund that will invest in 'shovel ready' local projects to aid economic recovery in response to the COVID-19 crisis. WLEP has been successful in being awarded up to £12m of capital relating to this fund. The projects covered are outlined in **Table 5** and equate to £11.970m, with a further £0.030m approved for costs associated with project management.
- 7.4.2 In addition, a further £2.405m Capacity Funding Grant for LEPs to support delivery of the Getting Building Fund has been announced by MHCLG. WLEP has been allocated £0.055m of revenue funding as part of this.
- 7.4.3 The £12m funding will be paid across to the WLEP phased equally across 2020/21 and 2021/22. WLEP have received their £6m allocation for 2020/21. The planned expenditure profile for each scheme is also identified in **Table 5**. A detailed review of this will be undertaken and reported back to the next FAR Committee and reported to a subsequent WLEP Board.

Table 5 – Getting Building Fund

Project Name	Total Budget £'000	Budget 2020/21 £'000	Budget 2021/22 £'000
Superfast Worcestershire - FTTP	500	300	200
Malvern Technology Park	1,350	850	500
A456 Improvements (Hagley)	210	110	100
Hoobrook Island Improvements (A449 / A442)	1,300	800	500
Worcester Shrub Hill Quarter and Masterplan	850	50	800
Redditch Transport Interchange	1,000	250	750
Health, Wellbeing & Inclusive Sport (UoW)	3,000	2,000	1,000
Construction and Automotive Skills Centre (Kidderminster College)	550	0	550
Low Carbon Housing – Burcott Lane	610	0	610
Flood Resilience – Tenbury Wells	1,000	600	400
Keepax Walking & Cycling Bridge	1,000	500	500
Vale Business Park Expansion	600	600	0
	11,970	6,060	5,910

7.5 Growth Hub

- 7.5.1 The Growth Hub receives an annual grant of £205k from the Department for Business Energy and Industrial Strategy (BIES) paid out to WLEP on a quarterly basis. In addition, in 2020/21, BIES provided supplementary funding for core Growth Hub delivery activities and solutions to alleviate the immediate pressures presented by COVID-19 of £10m across the country. WLEP's allocation of this is £257k and will be paid on a quarterly basis in line with expenditure incurred. Both grants are expected to be fully spent by the end of 2020/21.

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Approved by Steph Simcox – Deputy Chief Finance Officer – Service Finance

APPENDIX 1 – GROWING PLACES FUND

