

## 4.0 WLEP BUDGET AND LOCAL GROWTH FUND PROGRAMME UPDATE

### FAR COMMITTEE RECOMMENDATION

That the Committee notes the:

1. current forecast position in respect of the 2019/2020 WLEP revenue budget, including balance of reserves
2. current forecast position for Local Growth Fund (LGF) 2019/20
3. current position in respect of the Growing Places Fund
4. draft revenue budget for 2020/21
5. expected allocations for LGF for 2020/21
6. makes the relevant recommendations to WLEP Board in relation to items 1 to 5 above

### 4.1 Purpose of the Report

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

- Forecast outturn position in respect of the 2019/2020 Growth Deal funded programmes;
- Forecast outturn position in respect of the 2019/2020 WLEP Revenue Budget;
- current position in respect of the Growing Places Fund.

### 4.2 2019/20 Growth Deal funded programme

4.2.1 **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
<b>Rounded</b>	<b>13,400</b>	<b>24,153</b>	<b>15,326</b>	<b>4,853</b>	<b>3,624</b>	<b>10,369</b>	<b>71,725</b>

4.2.2 The WLEP funding for 2019/20 is £3.624m. The current forecast is for all schemes to use their respective allocations. However, should this not be the case, mitigations can be made by allocating an extra WLEP funding between schemes within this financial year and then making the appropriate opposite contributions in 2020/21. In this way WLEP has the flexibility to maximise its use of LGF in this financial year. This is shown in detail at **Table 2**.

**Table 2 – 2019/2020 LGF Budget and Forecast**

<b>2019/20 Schemes</b>	<b>2019/20 Budget (£000)</b>	<b>2019/20 YTD spend on scheme (£000)</b>	<b>2019/20 Forecast (£000)</b>	<b>Variation (£000)</b>
Bromsgrove A38	750	1,138	750	0
Pershore Northern Link Improvements	700	854	700	
Churchfields	192	304	192	0
HoW Duckworth Centre of Engineering	1,982	0	1,982	0
<b>Total</b>	<b>3,624</b>	<b>2,296</b>	<b>3,615</b>	<b>0</b>

### **4.3 2019/20 WLEP Revenue Budget**

4.3.1 The LEP's Core budget for 2019/20 is **£662k**, comprising:

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

4.3.2 Current expenditure levels indicate that the WLEP budget is under pressure this year, primarily due to the government's decision to withhold additional capacity funding until the overlapping geography issue is resolved. In Q2 it was reported that the WLEP would have a small overspend of £13k which would be transferred from the WLEP reserve if not brought back into balance at the year-end.

4.3.3 Following further review of expenditure, the current forecast outturn for the WLEP revenue budget is a reduced overspend of c£2k. This forecast assumes that the £72k of capacity funding received in advance in 2018/19 is fully utilised.

4.3.4 This position has meant that the WLEP will not have the funding available to support Midlands Engine this year, a fact that was communicated to and agreed with BEIS at the Annual Performance Review Meeting in February 2020.

4.3.5 There remains uncertainty around the level of Capacity funding, if any, to be awarded to the WLEP in 2019/20, linked to the overlapping geography issue. Given this uncertainty, it is prudent to report on the expected position on the basis that no further funding is received in this financial year.

4.3.6 The ongoing pressure on the budget is a result of inflationary increases over time to both staffing and non-staffing costs, whilst income from both Central and Local Government has not been inflated over the same time period.

4.3.7 Any underspend or overspend on the WLEP budget in 2019/20 would result in a transfer to/from the WLEP reserve at year-end. **Table 3** below shows the opening balance of WLEP reserves and forecast closing position. The forecast year-end position is a balance of £157k 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 employed by the Chamber of Commerce to support the Growth Hub.

- 4.3.8 Now that BetaDen has sufficient funding to cover the medium term, the potential redundancy liability for staff working solely on this project will be covered by the BetaDen funding streams rather than through the WLEP reserve.
- 4.3.9 It is expected that use of the Apprenticeship reserve will be required in this financial year to fund marketing costs associated with the promotion of apprenticeships across the county.

**Table 3 – WLEP Reserve position**

	<b>2019/20 Opening Balance (£000)</b>	<b>2019/20 Forecast Movements (£000)</b>	<b>2019/20 Forecast Closing Balance (£000)</b>
WLEP General Reserve	159	(2)	157
WLEP Apprenticeship Reserve	24	(10)	14
Total	183	(12)	171

- 4.3.10 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.

#### **4.4 Current position regarding Growing Places Fund**

- 4.4.1 The committee 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.
- 4.4.2 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 £3.3m.
- 4.4.3 In February 2020, £890k was received back from Redditch Eastern Gateway (leaving the £910k grant as the only funding now allocated to this scheme). As such, this amount 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**.

#### **4.5 Proposed budget for 2020/21 WLEP Core Revenue budget**

- 4.5.1 The expected funding for WLEP's core budget for 2020/21 is £662k, however, final confirmation of MHCLG funding has yet to be received. The funding is broken down as:
- i) MHCLG income of £500k,
  - ii) Local authority income of £150k,
  - iii) Other income of £12k (mainly from sponsorship).
- 4.5.2 The LEP Expenditure Budget for 2020/21 assumes that the funding of £662k will be fully utilised. **Table 4** below shows the proposed budget lines and amounts. These are due to be communicated to MHCLG by 16 March 2020 with expectation of funding being received in April.

**Table 4 – 2020/21 Draft WLEP Revenue Expenditure Budget**

<b>Area of Expenditure</b>	<b>£'000</b>
Salaries and overheads for 10 FTE	550
Advertising and Recruitment	10
Conferences and other events	50
Consultancy fees	30
Training and Equipment	2
Midlands Engine Contribution	20
<b>Total</b>	<b>662</b>

**4.6 Proposed budget for 2020/21 LGF**

- 4.6.1 The LGF Budget for 2020/21 is shown in **Table 5**, assuming the outturn for 2019/20 remains as currently forecast.
- 4.6.2 As the A38 and Pershore Northern Link Roads schemes are expected to spend in excess of the WLEP allocations as they are funded from several sources including local authority funding, any under-utilisation of LGF funding on one scheme could be allocated to either of these schemes. This would require approval from the WLEP Board and this would be communicated to the Board if required.
- 4.6.3 There remains £44k uncommitted at this point and the WLEP Board will be requested to review whether they would wish to allocate this towards existing schemes or to support funding towards other pipeline schemes.

**Table 5 – 2020/21 Budget for LGF**

<b>2020/21 Schemes</b>	<b>2020/21 Allocation (£000)</b>
Bromsgrove A38	5,750
Pershore Northern Link Improvements	3,800
Churchfields	553
HoW Duckworth Centre of Engineering	222
Uncommitted Balance	44
<b>Total</b>	<b>10,369</b>

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## APPENDIX 1 – GROWING PLACES FUND

