

4.0 WLEP BUDGET REPORT – Q3 2021/22

FAR COMMITTEE RECOMMENDATIONS

That the Committee:

1. notes the current forecast position in respect of the 2021/2022 WLEP revenue budget, including balance of reserves
2. notes the current position in respect of the Growing Places Fund including allocation to be approved by the WLEP Board
3. notes the current position in respect of the Getting Building Fund for 2021/22 including the potential to use Freedoms and Flexibilities
4. notes the current position in respect of the Growth Hub
5. makes the relevant recommendations to WLEP Board in relation to items 1 to 4 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 2021/22 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.

4.2 2021/22 WLEP Revenue Budget

4.2.1 The LEP's Core budget for 2021/22 is **£662k**, comprising:

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

4.2.2 The first and second instalment of DCLG funding for 2021/22 has now been received; a total of £500k. Therefore, the risk of any financial pressure placed upon the WLEP has been fully irradiated in relation to DCLG Income this year and no impact will be placed on the reserve levels which would have been called upon to help cover the expected expenditure, should the second instalment have not been received this financial year.

4.2.3 Current expenditure levels indicate that the WLEP budget is currently forecasting a breakeven position. This assumes that the £55k Getting Building Fund grant and Getting Building Fund project manager funding of £30k carried forward from 2020/21 is fully spent.

4.2.4 This position assumes that all relevant Local Authorities pay their WLEP contribution as agreed for 2021/22.

4.2.5 Any underspend or overspend on the WLEP budget in 2021/22 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 £122k in the WLEP General Reserve, of which c£108k will need to be maintained to cover any potential redundancies for the Executive Team and the team currently employed by the Chamber of Commerce and Worcester City Council to support the Growth Hub.

Table 4 – WLEP Reserve position

	2021/22 Opening Balance (£000)	2021/22 Forecast Movements (£000)	2021/22 Forecast Closing Balance (£000)
WLEP General Reserve	122	0	122
WLEP Apprenticeship Reserve	94	0	94
BetaDen Redundancy Reserve	52	0	52
Total	268	0	268

4.2.6 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.

4.3 Current position regarding Growing Places Fund (GPF)

4.3.1 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, with c50% of this committed to individual projects. The amount held on the balance sheet includes c£2m of funding received back from repayments of loans and grants.

4.3.2 At present, £1.050m remains available for future allocation as well as the £246k remaining within the Project Development Fund.

4.3.3 Due to the uncertainty relating to future funding for WLEP linked to the National LEP Review underway, the recommendation is to earmark £500k of the remaining allocation to underwrite any potential loss of BEIS core grant funding for 2022/23. In this way the operation, function, and delivery of WLEP related activity would be able to continue for a further financial year. Should Government funding remain available through BEIS or other funding, this allocation would not be required. This decision is expected to be taken at the next available WLEP Board.

4.3.4 A detailed split of the amounts relating to grants allocated and the 2 loans (WCCC and Select Research) remaining to be repaid are shown at **Appendix 1**. Should WLEP Board approve the recommendation indicated in paragraph 4.3.3, this will change the uncommitted balance from £1.050m to £550k. Work remains ongoing to look at the repayment options for Select Research.

4.4 Getting Building Fund programme

4.4.1 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.

4.4.2 In addition, a further £2.405m Capacity Funding Grant for LEPs to support delivery of the Getting Building Fund was announced by MHCLG in 2020/21. WLEP was allocated £0.055m of revenue funding as part of this. This is reflected in the revenue position reported as part of paragraph 4.2.3.

4.4.3 The £12m funding was paid to WLEP equally across 2020/21 and 2021/22. The original planned expenditure profile for each scheme is identified in **Table 5**. This excludes any match funding identified for each scheme.

Table 5 – Getting Building Fund Original Forecast position

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

4.4.4 GBF spend at the end of Q3 is currently reported as £756,964 as shown in **Table 6**, however this is expected to increase to £1,197,038.70 with the submission of the two outstanding Q3 GBF Grant Claims, namely

- Construction & Automotive Skills; Kidderminster College: Expecting Q3 Grant Claims for £13,740, which would increase Q3 GBF Spend to £22,740.
- Low Carbon Housing; Bromsgrove District Council: Expecting Q3 Grant Claims for £426,334.70 which would increase Q3 GBF Spend to £503,382

4.4.5 As can be seen from **Table 6**, there remains over £4m spend due to be incurred during Quarter 4. Should there be delays in any of the planned expenditure, WLEP will use Freedoms and Flexibilities to ensure that the full amount of grant is spent by the end of this financial year. This will be agreed between the Chief Executive of WLEP and the Deputy Chief Financial Officer and reported to BEIS in line with year-end reporting requirements for GBF. Any use of Freedoms and Flexibilities will then be reported to FAR Committee and WLEP Board as part of the normal reporting process.

Table 6 – GBF actual for 2020/21, Q1 to Q3 actuals and year end forecast for 2021/22

	2020/21						Total Both Years
	TOTAL	Q1	Q2	Q3	Planned Q4	Forecast Outturn	
	£	£	£	£	£		
Malvern Technology Park	265,933	25,500	158,322	122,076	1,278,169	1,584,067	1,850,000
Worcester Shrub Hill Quarter	84,082		96,542	238,843	430,533	765,918	850,000
Redditch Transport Interchange	30,867	7,400	105,174	52,259	804,300	969,133	1,000,000
Superfast Worcestershire - Gigabit Connectivity	-		47,000	120,000	333,000	500,000	500,000
A456 Improvements: Hagley	160,559	38,462	10,979	-	-	49,441	210,000
Hoobrook Island Capacity Improvements	150,000		1,150,000	-	-	1,150,000	1,300,000
Health, Wellbeing and Inclusive Sport	992,519	798,532	863,211	57,419	288,319	2,007,481	3,000,000
Construction & Automotive Skills Centre	-	5,100	29,100	9,000	506,800	550,000	550,000
Low Carbon Housing - Burcot Lane	-		-	77,047	532,953	610,000	610,000
Keepax Walking & Cycling Bridge	500,000	92,488	407,512	-	-	500,000	1,000,000
Vale Business Park Development	600,000				-	-	600,000
Flood Resilience - Tenbury Wells	143,734		184,507	80,320	91,439	356,266	500,000
Claimed	2,927,693	967,482	3,052,347	756,964	4,265,513	9,042,306	11,970,000
Freedoms & Flexibilities	3,072,307					- 3,072,307	0
Total Capital	6,000,000					5,969,999	11,970,000
Project Management - Revenue	30,000					55,000	85,000.00
Total GBF	6,030,000					6,024,999	12,055,000

4.5 Growth Hub

- 4.5.1 The Growth Hub is made up of an annual grant of £462k from the Department for Business Energy and Industrial Strategy (BEIS) paid out to WLEP on a quarterly basis. The Growth Hub submitted its half-yearly report and third claim to BEIS in October, these have been acknowledged. The Growth Hub grant is expected to be fully spent by the end of 2021/22 in line with planned expenditure profile submitted to BEIS.
- 4.5.2 Peer network delivery is on track. The Growth Hub have reduced the number of cohorts locally as recruitment has been challenging. This is reflected nationally, with most Growth Hub's reducing the number of cohorts because of conflicting programmes locally and nationally (Help to Grow, etc). We have confirmation from BEIS that we only need to claim for the cohorts we run. They will provide an addendum to the contract if needed but they are content with the impact of a reduced claim.
- 4.5.3 Confirmation has now been received from BEIS that the national Peer Network programme will close March 2022, with a focus shifting to Help to Grow which has been awarded funding for a further 3 years. All activity covered by the grant agreement needs to be completed by 31 March 2022 but LEPs have raised the point that processing of final claims will happen after that in some cases as cohorts are delivered up until the end of the financial year. BEIS have confirmed that there will be an accruals process in place for payment of these claims.
- 4.5.4 Omicron has impacted the delivery of this programme recently. BEIS have assured (in writing) that there is no penalty on the LEP area for under delivery against the allocation set out in the Grant Agreement should a cohort start with the necessary numbers but then drop off during the sessions as a result of new restrictions or self-isolation.
- 4.5.5 Staffing within the team working on the Growth Hub project are primarily employed by Worcester City Council and Worcestershire County Council, with three members of staff employed by Herefordshire and Worcestershire Chamber of Commerce. The Director of Business Engagement has arranged meetings with HR leads at Worcester City and Worcestershire County Council to update on the current funding situation and discuss issuing 'at risk of redundancy' notices, in line with each organisation's respective policies. Funding for redundancies for these posts are covered within the WLEP Reserve.

Hinesh Mamtara - Finance Business Partner - Worcestershire County Council

APPENDIX 1 – GROWING PLACES FUND

