

WEST OF ENGLAND JOINT COMMITTEE

31 January 2020

REPORT SUMMARY SHEET

LEP & IBB REVENUE BUDGET SETTING REPORT 2020/21

Purpose

To consider and approve the Budget in respect of the Local Enterprise Partnership (LEP) and Invest in Bristol and Bath (IBB) for 2020/21

Summary

This report includes the following key information

- The core running costs of operating the LEP in terms of furnishing the Joint Committee, operating the LEP Board and applying for, receiving and managing various grant streams is circa £1.1m which is funded by:
 - A core grant of £500k per annum which is approved on a year by year basis and;
 - Match funding contributions from the four West of England Unitary Councils.
- For the last three financial years the required contribution from each local authority has been reduced from £150k to £110k. However, with annual increases in staffing costs, and diminishing returns on investments as the LGF draws to its conclusion in March 2021, local authority contributions will need to be reviewed from 2021/22 onwards.
- WECA and the LEP continue to be successful in expanding its activities through attracting a number of new specific funding streams to the region. From a relatively low base in 2018/19, specific grant funding of £3.364m was generated in 2019/20, rising to £4.488m for 2020/21.
- For the previous five years funding for IBB has been provided through the Economic Development Fund. However, from 2020/21 this switches to Revolving Infrastructure Funding as approved by the Joint Committee on 4th October 2019.

Recommendations

Members of the Joint Committee are asked to approve:

1. The LEP Budget for 2020/21 as set out in Appendix 1.
2. The contribution required from BANES, Bristol City and South Gloucestershire Councils to support the LEP Budget is set at £110k each for 2020/21, with contributions needing to be reviewed for 2021/22 and beyond.
3. The IBB Budget for 2020/21 as set out in Appendix 2.

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Position: Director of Investment and Corporate Services

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REPORT TO: West of England Joint Committee

DATE: 31 January 2020

REPORT TITLE: REVENUE BUDGET SETTING REPORT – 2020/21

DIRECTOR: MALCOLM COE – DIRECTOR OF INVESTMENT & CORPORATE SERVICES

AUTHOR: MALCOLM COE

Purpose of Report

- 1 To consider and approve the Budget in respect of the Local Enterprise Partnership (LEP) and Invest in Bristol and Bath (IBB) for 2020/21

Recommendation

- a) The LEP Budget for 2020/21 as set out in Appendix 1 is approved;
- b) The contribution required from BANES, Bristol City and South Gloucestershire Councils to support the LEP Budget is set at £110k each for 2020/21, with contributions needing to be reviewed for 2021/22 and beyond;
- c) The IBB Budget for 2020/21 as set out in Appendix 2, is approved

Background / Issues for Consideration

- 2 The West of England Combined Authority (WECA) acts as the Accountable Body for the range of funding streams on behalf of the West of England Councils and LEP. This report sets out details of the proposed budgets for the LEP and IBB for the 2020/21 financial year.

2.1 LEP Delivery and Running Costs and Medium-Term Forecast

2.1.1 The core running costs of operating the LEP in terms of furnishing the Joint Committee, operating the LEP Board and applying for, receiving and managing various grant streams has been circa £1.1m for several years now. Savings have been enacted where possible, however such opportunities are limited due to the need to retain a two-committee structure within the region. With increments and staff pay awards, the core costs for 2020/21 amount to **£1.107m** which are funded by:

- (a) A core grant of £500k per annum which is approved on a year by year basis and;
- (b) Match funding contributions from the four West of England Unitary Councils.

2.1.2 For the last three financial years the required contribution from each local authority has been reduced from £150k to £110k. However, with annual increases in staffing costs and diminishing returns on investments as the LGF draws to its conclusion in March 2021, local authority contributions will need to be reviewed from 2021/22 onwards.

2.1.3 Activities covered by the LEP have significantly expanded over the last 18 months due to successfully attracting numerous grants into the region. Despite this, we have retained the core staffing levels, and costs, at a relatively steady state. As the majority of spend is staff related, pay award increases will continue to impact on budget requirements over the coming years. A 3% uplift has been modelled for 2020/21 and 2021/22 reducing to 2.5% per annum thereafter. The resulting anticipated spend compared to the resources available is detailed in *Figure 1*.

Figure 1: LEP core running costs net of Specific Grant allocations

	2019/20 Budget £'000s	2020/21 Budget £'000s	2021/22 Budget £'000s	2022/23 Budget £'000s
Core Staff & related overheads	1,075	1,107	1,140	1,169
Funded by:				
Unitary Authority Contribution	440	440	600	600
Core Grant	500	500	500	500
Interest on Cash Balances	400	200	0	0
Total Funds	1,340	1,140	1,100	1,100
Increase / (Shortfall) in funding	265	33	-40	-63

2.2 Specific Grants and Activities from the LEP Budget

2.2.1 WECA and the LEP continue to be successful in expanding its activities through attracting a number of new specific funding streams to the region. From a relatively low base in 2018/19, specific grant funding of £3.36m was generated in 2019/20, rising to £4.48m for 2020/21 as detailed in *Figure 2*.

Figure 2: LEP Specific Grant Income – Medium Term Forecast

LEP Grant Income	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/33 £000s	Total £000s
Creative Scale ups	235	945	120	0	1,300
South West Local Energy Hub	569	1,644	1,272	0	3,485
Growth Hub	468	328	0	0	796
LEP additional Capacity Funding	400	0	0	0	400
Careers Hub	376	121	0	0	497
Low Carbon Challenge Fund	605	905	590	0	2,100
One public Estate	238	293	26	0	557
Infrastructure & Investment Delivery Plan	65	185	164	0	414
Economic Development Fund Admin	67	67	67	67	268
Skills advisory Panel	55	0	0	0	55
WIDJET	238	0	0	0	238
Housing Advisor Programme	48	0	0	0	48
LEP Specific Grant Funding Total:	3,364	4,488	2,239	67	10,158

- (a) Creative Scale Ups: Government grant to help creative industries grow by improving access to expert knowledge and training as well as supporting business through training and advice on securing investments;
- (b) South West Local Energy Hub: Business, Energy and Industrial Strategy (BEIS) grant to increase the number, quality and scale of local energy projects, to raise local awareness of opportunities and attract private and public finance for energy projects.
- (c) Growth Hub: A second year of £328k BEIS funding has been confirmed to support local providers and business looking to grow, establishing a stronger local economic region.
- (d) Low Carbon Challenge Fund: ERDF grant programme to help decarbonise the regional economy through: improving energy efficiency in SMEs, the implementation of small-scale generation projects using renewable sources, and improving the efficiency of public housing/other buildings.
- (e) Enterprise Advisor Network: aligned to Careers Hub, activity to match business volunteers with schools and colleges to support with their strategic employer engagement.
- (f) One Public Estate: Grant funding to support and deliver land initiatives with government and other public sector partners with the aim of rationalising the overall ownership of public sector assets.
- (g) Infrastructure and Investment Delivery Plan: to provide a strategic planning policy framework to sustainably boost the overall housing supply, deliver affordable housing and

accelerate sustainable housing

- 2.2.2 We will continue to focus our attention on attracting further grant funding into the LEP, maintaining confidence that the income figures currently stated for 2021/22, and beyond, will significantly increase over the coming months.
- 2.2.3 Many of the grants attracted by the LEP are relatively short term in nature. Any staff recruited to support specific grant funded activities are engaged on a fixed term basis linked to the duration and security of the relevant funding stream.
- 2.2.4 The majority of spend relates directly to staff administering the specific initiatives and third party grant payments being made to local businesses and organisations to help build the local economy and skills of the local workforce.

2.3 Invest in Bristol and Bath (IBB)

- 2.3.1 **Appendix 2** details the proposed IBB budget for the 2020/21 financial year. For the previous five years funding for IBB has been provided through the Economic Development Fund. However, from 2020/21 onwards this switches to Revolving Infrastructure Funding as approved by the Joint Committee on 4th October 2019.
- 2.3.2 Funding may also be generated from sponsorship and contributions from business and third parties to support specific marketing activity – spend on such activity will only be incurred when funding has been secured.

Consultation

- 3 Consultation has been carried out with the Chief Executives, S151 Officers and the WECA Monitoring Officer. Relevant officers within BANES, Bristol, North Somerset and South Gloucestershire have been consulted with regard to the review of Invest in Bristol and Bath activities.

Other Options Considered

- 4 LEP budgets mainly relate to the specific grant income that has been attracted. Consideration was given to increasing the Unitary Authority match funding contributions back to their original levels. However, with income still be generated through Treasury Management, the contributions have again been retained at £110k per authority for 2020/21.

Risk Management/Assessment

- 5 The West of England Office agreement underpins the LEP; a Memorandum of Understanding between the four West of England Unitary Authorities underpins IBB. These agreements deal with the risk sharing mechanisms between the relevant councils.
- 5.1 Uncertainty still remains in relation to the annual notification, and approval, of the £500k LEP Capacity Grant which creates volatility in terms of medium-term budget setting.
- 5.2 The LEP hold a reasonably modest unearmarked reserve to manage any financial risk. It is estimated that this reserve will be circa £410k at the start of the 2020/21 financial year.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

Climate Change Implications

- 7 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 7.1 Several of the specific LEP workstreams have a strong focus on improving climate change especially the *South West Local Energy Hub, Low Carbon Challenge Fund and One Public Estate*. Where funds are allocated as grants to local businesses and organisations, the criteria used to prioritise funding allocations will incorporate climate improvement.

Finance Implications:

- 8 All financial implications are contained within the body of the report.

Advice given by: Malcolm Coe, Director of Investment & Corporate Services

Legal Implications:

- 9 This report sets out the proposed Budgets for LEP and IBB for 2020/21. The budgets have been prepared in accordance with relevant Local Government Financial Regulations, Accounting Standards and relevant Grant Offer Letters. The West of England Combined Authority acts as agent for the transactions of the LEP and IBB.

Advice given by: Shahzia Daya, Director of Legal

Human Resources Implications:

- 10 The proposed Budgets include all appropriate staff costs for continuing activities for the LEP and IBB.

Advice given by: Alex Holly, Head of Human Resources

Appendices:

Appendix 1 – **Local Enterprise Partnership Budget 2020/21**

Appendix 2 – **Invest in Bristol and Bath Budget 2020/21**

Background papers:

(LEP) 2019/20 Revenue Budget Setting Report – Joint Committee 1 February 2019

(LEP) Budget Monitoring Reports to Joint Committee throughout 2019

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk

Local Enterprise Partnership Budget 2020/21

	2019/20 Budget £'000s	2020/21 Budget £'000s	Increase(+) / Decrease (-) £'000s
Core Staff and related overheads	1,459	1,108	-(351)
<u>Grant Funded Spend</u>			
Staff	684	984	300
Third Party Payments	2,587	3,185	598
Overheads	118	315	197
Total Expenditure	4,848	5,592	744
<u>Funded By:</u>			
UA Contribution	440	440	0
Other Government Grant	3,364	4,488	1,124
DCLG Core & Capacity Grant	500	500	0
Interest on Balances	400	200	-(200)
Use of Reserves	144	-(36)	-(180)
Total Income	4,848	5,592	744

Invest in Bristol and Bath Budget 2020/21

	2019/20 Budget £'000s	2020/21 Budget £'000s	Increase(+) / Decrease (-) £'000s
Direct Staff	252	371	119
Supplies & Services (inc contracts)	390	358	-(32)
Business & Skills Directorate costs	258	135	-(123)
Overheads	100	136	36
Total Expenditure	1,000	1,000	0
Income			
Economic Development Fund	1,000	0	-1,000
Revolving Infrastructure Fund	0	1,000	1,000
Total Income	1,000	1,000	0