

19 JUNE 2020

REPORT SUMMARY SHEET**LOCAL ENTERPRISE PARTNERSHIP (LEP) & INVEST BRISTOL AND BATH (IBB)
BUDGET OUTURN, APRIL 2019 - MARCH 2020****Purpose**

This report presents the forecast revenue outturn budget for the West of England Joint Committee for the financial year 2019/20 based on data for the period from April 2019 to March 2020. This report covers the LEP and IBB revenue budgets.

Summary

This report includes the following key information:

LEP budget:

- Appendix 1 details the LEP forecast revenue out-turn for the 2019/20 financial year which shows spend of £3.6m against an original budget of £4.7m. The difference of £1.1m is mainly due to the receipt and phasing of spend for government grants;
- Total grants attained across the four-year medium term financial plan, (MTFP), period now exceeds £10m. We have recently reviewed and updated the anticipated timing of spend against these grants and re-profiled the income accordingly;
- In relation to the core operating costs of the LEP, there is a net underspend of **£163k** with a recommendation that this should transfer into the LEP general reserve;
- Accounting for the £163k end of year surplus, the LEP reserve balance would be £662k;
- Interest received at the end of the year is £14k higher than the £400k income budget as set. The income target for 2020/21 has been adjusted down to £200k as cash balances continue to reduce as we reach the end of the Local Growth Fund period;

IBB budget:

- The IBB delivered a balanced budget with the detail as set out in Appendix 2;
- 2019/20 was the last year of five years where IBB has been funded through the Economic Development Fund. From 2020/21, IBB is funded through the Revolving Infrastructure Fund as part of a new five-year deal.

Impact of Covid-19 pandemic

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on, or are addressed through, this report are as follows:

- (a) In terms of budget monitoring information, there is very little impact from the Covid 19 pandemic on the authority's management accounts for 2019/20;
- (b) However, there is potential impact on 2020/21 revenue budgets as activity is re-prioritised and focused on supporting economic recovery. Activity, and corresponding budgets, will be kept under regular review over the coming months.

Recommendations

Members of the Joint Committee are asked to:

- a) Note the LEP revenue outturn as set out in Appendix 1;
- b) Note the IBB revenue outturn as set out in Appendix 2;
- c) Approve the net underspend on core LEP activities of £163k to be transferred to the LEP general reserve.

Contact officer: Malcolm Coe

Position: Director of Investment & Corporate Services

Email: Malcolm.Coe@westofengland-ca.gov.uk

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 19 June 2020

REPORT TITLE: LEP & IBB BUDGET OUTTURN APRIL '19 – MARCH 2020

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: MALCOLM COE

Purpose of Report

- 1 This report presents the forecast revenue outturn for the West of England Joint Committee for the financial year 2019/20 based on data for the period April 2019 to March 2020. This report covers the Local Enterprise Partnership (LEP) and Invest in Bristol and Bath (IBB) revenue budgets.

Impact of Covid-19 pandemic

- 2 The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on, or are addressed through, this report are as follows:
 - (a) In terms of budget monitoring information, there is very little impact from the Covid 19 pandemic on the authority's management accounts for 2019/20;
 - (b) However, there is potential impact on 2020/21 revenue budgets as activity is re-prioritised and focused on supporting economic recovery. Activity, and corresponding budgets, will be kept under regular review over the coming months.

RECOMMENDATIONS:

The Joint Committee:

- a) **Notes the LEP revenue outturn as set out in Appendix 1;**
- b) **Notes the IBB revenue outturn as set out in Appendix 2;**
- c) **Approves the net underspend on core LEP activities of £163k to be transferred to the LEP general reserve.**

Background / Issues for Consideration

- 2 The West of England Combined Authority acts as the Accountable Body for a range of funding streams on behalf of the West of England Councils and LEP. The WECA financial regulations require that it regularly reports on the financial monitoring position of these funds.

The LEP

- 2.1 **Appendix 1** details the LEP forecast revenue out-turn for the 2019/20 financial year which shows spend of **£3.6m** against an original budget of **£4.7m**. The difference of **£1.1m** is mainly due to the receipt and phasing of spend for government grants. In relation to the core operating costs of the LEP, there is a net underspend of **£163k** with a recommendation that this should transfer into the LEP general reserve.
- 2.2 Several grants have been attained throughout the year which have been detailed within previous budget monitoring reports. Although there have been no new grants received during this reporting period, there have been significant increases in funding for both:
- (a) South west Energy Hub and
 - (b) The Growth Hub
- 2.3 Total grants attained across the four-year medium term financial plan, (MTFP), period now exceeds £10m. We have recently reviewed and updated the anticipated timing of spend against these grants and re-profiled the income accordingly as detailed in *Figure 1*.

Figure 1: Analysis of LEP External Grants revised as @ March 2020

LEP Grant Income	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/33 £000s	Total £000s
Creative Scale ups	151	1029	120	0	1,300
South West Local Energy Hub	355	1,643	1,997	0	3,995
Growth Hub	453	362	0	0	815
LEP additional Capacity Funding	30	370	0	0	400
Careers Hub	364	150	0	0	514
Low Carbon Challenge Fund	42	1,468	590	0	2,100
One public Estate	175	356	22	0	553
Infrastructure & Investment Delivery Plan	38	185	191	0	414
Skills advisory Panel	11	44	0	0	55
WIDJET	195	43	0	0	238
Housing Advisor Programme	0	48	0	0	48
LEP Specific Grant Funding Total:	1,814	5,698	2,920	0	10,432

- 2.4 The original 2019 budget for external grants was **£3.206m**. For South West Local Energy Hub, Growth Hub, Local Enterprise Partnership, (LEP), additional capacity funding and Careers Hub, we have been successful, during the year, in extending the overall funding available as detailed in *Figure 2*.

Figure 2: Original 2019/20 External Grant Budget compared to March 2020

		Original 2019/20 £000	Funding as @ 31 March 20 £000	Additional Funding £000
a	Creative Scale ups	1,300	1,300	0
b	South West Local Energy Hub	1,224	3,995	2,771
c	Growth Hub	328	815	487
d	LEP additional Capacity Funding	200	400	200
e	Careers Hub	154	514	360
Totals:		3,206	7,024	3,818

2.5 Drawdown from Reserves

The accumulated LEP Reserves, held by WECA as Accountable Body, commenced at £989k at the beginning of the financial year. Accounting for drawdown of funds, as approved by the Joint Committee, the end of year reserve balance is forecasted to be £499k, (including a further £169k which is committed to be spent in 2020/21). This is detailed in *Figure 3*:

Figure 3: LEP Reserve Balances £'000s

LEP Reserve balance b/fwd 1st April 2019	(989)
Drawdown for Nuclear Programme – to provide financial support for the local supply chain programme.	57
Drawdown for Local Industrial Strategy – to deliver our region's ambition to be a driving force for clean and inclusive growth.	94
Drawdown for Stepping Up – support for a leadership programme for BAME and equality groups.	150
Drawdown for Careers Hub – works with schools to improve careers opportunities and work experience for young people	20
LEP Reserve Balance as at 31 March 2020	(668)
Existing commitments to be drawn down in 2020/21	
Local Industrial Strategy balance of approved drawdown	121
Nuclear supply chain balance of approved drawdown	43
Careers Hub	5
LEP Reserve unallocated balance @ 31 March 2020	(499)

It is recommended that the net LEP underspend for the year of £163k is transferred to the LEP reserve which will increase the unallocated balance to £662k.

Interest on Balance

- 2.6 Investment interest earned on LEP balances held relates entirely to cash holding of the Local Growth Fund. Spend has escalated against this fund in recent months, as the funding moves closer towards the expiry date of March 2021. Interest received at the end of the year is £14k higher than the £400k income budget as set. The income target for 2020/21 has been adjusted down to £200k as cash balances continue to wind down. This figure will be reviewed regularly and updated in future budget monitoring reports to the Joint Committee.

Invest in Bristol and Bath (IBB)

- 2.7 **Appendix 2** details IBB's revenue out-turn position for the 2019/20 financial year which demonstrates a balanced budget at year end. 2019/20 is the final of five years where the funding for IBB is provided through the Economic Development Fund, (EDF).
- 2.8 From 2020/21, IBB will be funded through the Revolving Infrastructure Fund, (RIF), as part of a new five-year deal, (to be reviewed after year three), as approved by the Joint Committee in October 2019.

Consultation

- 3 Consultation has been carried out with the Chief Executives, S151 Officers and WECA Monitoring Officer.

Other Options Considered

- 4 Value for Money and appropriate use of resources are constantly considered when allocating, monitoring and managing all revenue and capital budgets.

Risk Management/Assessment

- 5 This report forms a core part of the WECA's governance and risk management process. The forecast budgets presented in this report take account of known financial risks and their potential impact on the outturn financial position. The West of England Office agreement underpins the LEP; a Memorandum of Understanding between the four West of England UAs underpins the IBB service. These agreements deal with the risk sharing mechanisms between the four West of England councils. For all other WoE budgets administered by the WECA, it acts as "agent" with a straight pass through of funding and related costs.

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.

6.3 There are no specific public sector equalities issues arising from this report although budget managers are reminded to consider how they could positively contribute to the advancement of equality and good relations.

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, including economic impact assessment where appropriate:

8 The financial implications are contained within the body of the report. The LEP and IBB functions support the economic growth and vitality of the region.

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

Legal Implications:

- 9 This report monitors how the Local Enterprise Partnership (LEP), and Invest in Bristol and Bath (IBB) revenue budgets are performing against the financial targets as set in February 2019 through the Budget setting process.

Advice given by: Shahzia Daya, Director of Legal Services

Human Resources Implications:

- 10 Fixed term contracts are applied where staff are appointed against specific LEP grant funding streams that are time limited in nature.

Advice given by: Alex Holly, Head of Human Resources

Appendices

Appendix 1: Revenue position LEP

Appendix 2: Revenue position IBB

Background papers:

LEP and IBB 2019/20 Budget – Joint Committee 1 February 2019

LEP and IBB 2019/20 Budget Monitoring reports as presented to each Joint Committee

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 Quay, Bristol BS1 6EW; email:

democratic.services@westofengland-ca.gov.uk

LEP Budget Monitoring as @ 31st March 2020

	2019/20 Budget £'000s	2019/20 Outturn £'000s	Variance £'000s
Core Staff and related overheads	1,459	1,301	(158)
<u>Grant Funded Spend</u>			
Staff	802	1,220	418
Third Party Payments (project spend)	2,429	1,030	(1,399)
Reserve	0	0	0
Total Expenditure	4,690	3,551	(1,139)
<u>Funded By:</u>			
UA Contribution	440	440	0
Other Government Grant	3,206	1,910	(1,296)
DCLG Core & Capacity Grant	500	500	0
EDF Income	0	69	69
Interest on Balances	400	414	14
Other Income	0	58	58
Use of Reserves	144	323	179
Total Income	4,690	3,714	(976)
NET TOTAL - Under / (Over) Spent:	0	163	163

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APPENDIX 2

IBB Budget Monitoring as @ 31st March 2020

	Budget £'000s	Outturn £'000s	Variance £'000s
EXPENDITURE			
Staff	528	516	(12)
Supplies & Services			
Premises Services	41	42	1
Support Services	41	60	19
Supplies & Services	0	0	0
Project Spend	390	492	102
Total Supplies & Services	472	594	122
Total Expenditure	1,000	1,110	110
INCOME			
EDF Grant (inc £100k c/f from 2018/19)	1,000	1,100	100
Contribution	0	10	10
Total Income	1,000	1,110	110
NET TOTAL - Under / (Over) Spent	0	0	0