

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 4 DECEMBER 2020

REPORT TITLE: LEP & IBB BUDGET OUTTURN APRIL– SEPTEMBER 2020

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Purpose of Report

- 1 This report presents the forecast revenue outturn for the West of England Joint Committee for the financial year 2020/21 based on data for the period April 2020 to September 2020. The 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) There is a 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;**

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 2020/21 financial year based on actual information to the end of September 2020 which shows spend of **£7.1m** against an original budget of **£5.6m**. The difference of **£1.5m** is mainly due to the receipt and phasing of spend for government grants. Overall, there is a forecast net underspend of **£45k** which is due to a surplus in treasury management and timing of a grant between financial years.
- 2.2 Total grants attained across the three-year period is circa £8.7m. 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 @ September 2020

LEP Grant Income	2020/21 £000s	2021/22 £000s	2022/23 £000s	Total £000s
Creative Scale ups	866	282	0	1,148
South West Local Energy Hub	1,804	997	0	2,801
Growth Hub	970	0	0	970
LEP additional Capacity Funding	363	0	0	363
Careers Hub	382	0	0	382
Low Carbon Challenge Fund	712	1,355	33	2,100
One Public Estate	289	89	0	378
Infrastructure & Investment Delivery Plan	185	191	0	376
Housing Advisor Programme	20	28	0	48
WIDJET	23	0	0	23
Skills Analysis Panel	119	0	0	119
Leader	22	0	0	22
LEP Specific Grant Funding Total:	5,755	2,942	33	8,730

2.3 The original 2020/21 budget for external grants was **£4,389m**. For Growth Hub and Careers Hub, we have been successful, during the year, in increasing the overall funding available. This, along with the rephasing of anticipated spend compared to the original 2020/21 revenue budget is detailed in *Figure 2*.

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2.4 Figure 2: Original 2020/21 External Grant Budget compared to Year end Forecast.

	Original 2020/21 £000s	Forecast 2020/21 £000s	Funding Difference £000s	Comments
Growth Hub	328	970	642	Additional funding secured
Low Carbon Challenge	905	712	(193)	Re-phasing of expenditure
Creative Scale Up	945	866	(79)	Re-phasing of expenditure
Careers Hub	89	382	293	Additional funding secured
WIDJET	0	23	23	Timing of expenditure
One Public Estate	293	289	(4)	
Infrastructure & Invest Plan	185	185	0	
South West Energy Hub	1,644	1,804	160	Re-phasing of expenditure
Housing Advisor Programme	0	20	20	Grant carried forward from 19/20
Leader	0	22	22	Additional funding secured
Skills Analysis Panel	0	119	119	Additional funding secured
LEP Additional Funding	0	363	363	Grant carried forward from 19/20
Totals:	4,389	5,755	1,366	

2.5 Drawdown from Reserves

The accumulated LEP Reserves, held by WECA as Accountable Body, were £831k at the beginning of the financial year. Accounting for drawdown of funds, as approved by the Joint Committee, the reserve balance is forecasted to be £662k at year end. This is detailed in *Figure 3*:

Figure 3: LEP Reserve Balances £'000s

LEP Reserve balance b/fwd 1st April 2020	(831)
Drawdown for Nuclear Programme – to provide financial support for the local supply chain programme.	43
Drawdown for Local Industrial Strategy – to deliver our region’s ambition to be a driving force for clean and inclusive growth.	121
Drawdown for Careers Hub – works with schools to improve careers opportunities and work experience for young people	5
LEP Reserve Balance as at 31 March 2021	(662)

Interest on Balance

2.6 Investment interest earned on LEP balances held relates entirely to cash holding of the Local Growth Fund. Interest received is forecast to be £22k higher than the £200k income budget as set. This figure will be reviewed regularly and updated in future budget monitoring reports to the Joint Committee.

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Invest in Bristol and Bath (IBB)

- 2.7 **Appendix 2** details IBB's revenue out-turn position for the 2020/21 financial year based on actual information to the end of September 2020. This shows the current forecast is for spend to breakeven with budget.
- 2.8 From 2020/21, IBB is 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, West of England Section 151 Officers and the 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.

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- 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 January 2020 through the Budget setting process.

Advice given by: Shahzia Daya, Director of Legal Services

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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 2020/21 Budget – Joint Committee 31 January 2020

LEP and IBB 2020/21 Budget Out-turn – Joint Committee 9 October 2020

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 on 07436 600313; or by email: democratic.services@westofengland-ca.gov.uk

LEP Budget Monitoring Forecast as at September 2020

	2020/21 Budget £'000s	2020/21 Forecast £'000s	Variance £'000s
Core staff and related overheads	1,158	1,153	(5)
<u>Grant Funded Spend</u>			
Staff	989	1,592	603
Travel	15	7	(8)
Services and third-party payments	3,177	4,125	948
Overheads	254	277	23
Total Expenditure	5,593	7,154	1,561
<u>Funded by:</u>			
UA Contribution	(440)	(440)	0
Government Grants	(4,389)	(5,754)	(1,365)
DCLG Core & Capacity Grant	(500)	(500)	0
Interest on Balances	(200)	(222)	(22)
Other Grants	(67)	(67)	0
Other Contribution	(33)	(47)	(14)
Use of Reserves	36	(169)	(205)
	(5,593)	(7,199)	(1,606)
Net Total - (Under Spend) / Overspend	0	(45)	(45)

IBB Budget Monitoring Forecast as at September 2020

	2020/21 Budget £'000s	2020/21 Forecast £'000s	Variance £'000s
<u>Expenditure</u>			
Direct Staff	371	352	(19)
Supplies & Services	358	472	114
Business & Skills Directorate Costs	136	48	(88)
Overheads	135	128	(7)
Total Expenditure	1,000	1,000	0
<u>Income</u>			
Revolving Infrastructure Fund	(1,000)	(1,000)	0
Total Income	(1,000)	(1,000)	0
NET TOTAL - Under / (Over) Spent	0	0	0